Austria	Sch22	Indonesia	Rp3100	Oman	OR1		
Bahrain	Din0.700	Iran		Philippines	Peso30		
Belgium	BFr65	Israel	IS3.50	Portugal	Esc140		
Cyprus	C£0.90	Italy	L2000	Qatar	QR12.00		
Denmark	DKr13.00	Jordan	Fils1000	S.Arabia	Rls11.00		
Egypt	E£3.25	Kuwait	Fils.800	Singapore	S$4.10		
Finland	Fmk7.00	Lebanon	£390.00	Spain	Pta140		
France	FFr7.00	Lux	LFr65	Sweden	SKr10		
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40		
Greece	Dr150	Morocco	Dh6.00	Thailand	Bt50		
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800		
Iceland	Ikr125	Nigeria	Naira16	Turkey	L1300		
India	Rup15	Norway	NKr10.00	UAE	Dh7.00		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,971 — Friday October 13 1989 — D 8523A

JAMAICA
Seaga counts the high cost of reform
Page 8

World News

Poland maps out free market plan for economy

An economic plan unveiled by Poland's Solidarity-led Government aims to put the country back on the path to a Western-style free market economy and promises a respite from inflation by the end of next year.

The Government is looking to the IMF-due in Warsaw for talks next week – for $700m worth of stand-by credits and another $500m from the World Bank. Page 18

US rates argument

Nicholas Brady, US Treasury Secretary, conceded the existence of differences over interest rate and dollar policy between the Administration and the Federal Reserve, but sought to play down their significance. Page 8

Aoun thwarts peace

Christian leader Michel Aoun dashed hopes that a peace plan thrashed out in Saudi Arabia might bring a quick end to Lebanon's 14-year civil war when he said he was still looking to drive Syrian forces from his country. Page 3

Australian campaign

Australia's opposition Liberal and National Party coalition unveiled a tight tax and spending policy as the central plank of its platform for the next general election. Page 3

Indonesian clashes

Protesters demanding freedom for East Timor clashed with security guards at Pope John Paul's mass in the Indonesian-ruled territory. Earlier story, Page 4

Pakistanis protest

Pakistani police fired teargas at students protesting over the arrest of an octogenarian politician demanding a separate homeland in Prime Minister Benazir Bhutto's home province of Sind.

In praise of camps

China said its labour and re-education camps, where more than 2m people were sent in the last decade, were a "miracle on earth".

Israeli defences fail

Israel's air defences failed to detect the Syrian air force MiG-23 fighter which a defecting pilot flew unchallenged across northern Israel, Prime Minister Yitzhak Shamir said. Page 3

Palme killer case

A Swedish court ordered the immediate release of the previously convicted killer of Prime Minister Olof Palme on the grounds of insufficient proof. Page 2

Charges dropped

The British Government is "most disappointed" that Ireland decided not to prosecute a former priest wanted on charges related to a series of IRA explosions in London. Page 2

Manila 'calamity'

President Aquino declared Manila and 12 provinces calamity areas after a typhoon tore across the Philippines, killing 43 people and forcing 80,000 to flee their homes.

Computer virus

Computer experts are taking seriously a software virus designed to replicate throughout IBM and IBM compatible computers. Military officials say a group linked to European terrorists could be responsible.

Business Summary

Brussels agrees rise in steel quotas with US

THE EUROPEAN Commission announced it had reached agreement with the US on voluntary steel quotas that will increase marginally Europe's share of the US steel market.

Under the voluntary export restraint arrangement the Community's share of US domestic consumption will be increased from 6.68 per cent to 7 per cent. Page 18

NIKKEI index: A wave of heavy selling swept through the Tokyo market as investors watched the yen slide against the dollar regardless of the rise in the Official Discount Rate. The Nikkei average closed the day 445.02 points down at 34,795.05, the day's low. Markets, Section 2

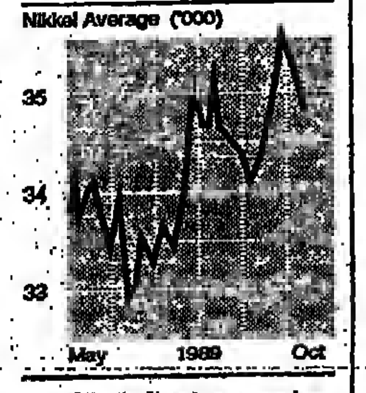
FERRANTI: British Aerospace said it had increased its stake in Ferranti International Signal to 1.7 per cent. Page 19

FIAT, Italian car and truck manufacturer, offered to build its next car plant in Spain as part of its bid to buy Enasa, the state-owned Spanish truck producer. Page 19

JAPANESE trade surplus: fell modestly last month from $7.32bn against $7.76bn in September last year, the fifth monthly decline in succession. Page 18

Japan

Nikkei Average ('000)



EUROPEAN car sales: W European new car sales declined by an estimated 3 per cent in September to 970,000, the first monthly fall this year. Page 3

QANTAS Airways, Australia's government-owned international carrier reported record earnings of A$176.8m ($139m) for the year to June, 2 per cent up on the year. Page 23

MOBILE phones: Motorola of the US was criticised for endangering European access to export markets by demanding fees for use of patents. Page 18; flat earnings for Motorola, Page 22

COCA-COLA, world's largest soft drinks company, justified some of Wall Street's recent backing with a 21 per cent rise in third-quarter net profits to $356m. Page 22

REINSURANCE: worldwide demand for reinsurance more than doubled between 1984 and 1987 to reach a level of $91.9bn. Page 3

CBS, US broadcasting group, blamed a 12 per cent drop in third quarter earnings to $2.40 per share on lower net income from its joint video cassete venture with Twentieth Century-Fox. Page 22

BANK of New York, fast-growing banking group which last year acquired Irving Bank, reported a loss of $271.3m for the third quarter because of provisions against possible Third World losses. Page 22

ITO-YOKADO, leading Japanese supermarket chain, lifted consolidated net earnings 4.2 per cent in the first half to August to Y26.8bn ($188m). Page 22

GENERAL ELECTRIC, US industrial group whose interests including aircraft engines and broadcasting, reported a 16 per cent rise in third-quarter profits to $815m. Page 22

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York close	New York close	FT-SE 100:
$1.5515	DM1.90825	2,237.8 (+19)
London:	FFr6.4715	FT Ordinary:
$1.551 (1.5445)	SFr1.6745	1,817.7 (+20.4)
DM2.96 (same)	Y144.175	FT-A All Share:
FFr10.035 (10.02)	London:	1,127.04 (+0.8%)
SFr2.595 (2.59)	DM1.908 (1.916)	FT-A long gilt yield
Y223.5 (same)	FFr6.47 (6.4875)	index high coupon:
£ index 89.1 (88.9)	SFr1.6725 (1.6775)	8.85 (8.87)
GOLD	Y144.15 (144.75)	New York closing
New York: Comex Dec	$ index 71 (71.3)	DJ Ind. Av.
$367.4 (365.1)	Tokyo close: Y144.6	2,759.84 (−13.52)
London:	US LUNCHTIME RATES	Tokyo: Nikkei
$363.25 (361.5)	Fed Funds 8¾%	34,795.05 (−445.02)
N SEA OIL (Argus)	3-mo Treasury Bills: yield: 7.899%	LONDON MONEY
Brent 15-day Nov	Long Bond: 101⅞	3-mo interbank close:
$19.075 (+0.325)	yield: 8.015%	15⅛ (15¼)

Chief price changes yesterday: Page 19

MARKET REPORTS: CURRENCIES, Page 40; BONDS, Pages 24, 25; COMMODITIES, Page 32; EQUITIES, Page 33 (London), 44 (World).

Shakespeare's Globe theatre rediscovered in London

By Richard Donkin in London

THE Globe theatre, the most famous of London's Shakespearean playhouses, has been found where historians always thought it was: on a site just south of the River Thames.

The Globe, built in 1599, hosted performances of many of Shakespeare's plays including Henry V, Julius Caesar, Hamlet and Macbeth. Nicknamed the "wooden O" in Henry V, it was a round or polygonal building with the centre open to the sky. The first Globe, built of wood, was burnt down in 1613 during a performance of Shakespeare's Henry VIII when cannon, being used in the play set fire to the thatched roof of the galleries.

Mr Sam Wanamaker, the US actor and director, who has suspended construction of his £18m ($28m) replica of the Globe to study the excavations so that they can be faithfully reproduced, said yesterday: "This is what everybody in the world interested in Shakespeare has been looking for for the last 100 years.

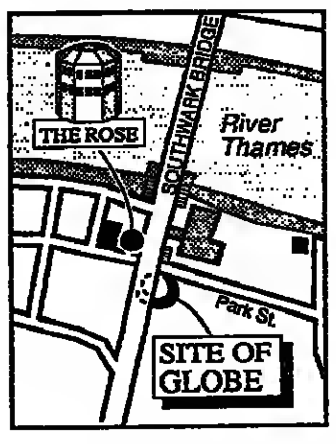
"It validates the whole area as the most theatrical area of Western civilisation. This is the cradle of English speaking theatre. It is a major discovery of international significance."

Yesterday's discovery was announced without the fanfare which greeted the Rose find earlier in the year. Then the theatre world united in opposition to plans by Imry Merchant Developers to build a 10-storey office block on the site. This plan was later altered to preserve the remains of Rose, built in 1589, for public display. Hanson, the conglomerate which owns most of the Globe site, has avoided a similar confrontation by ploughing £250,000 into a two-month-long dig by the Museum of London on its site.

Hanson also owns Anchor Terrace, a Grade II listed building on part of the Globe site and has promised to examine "every possible way" of ensuring the remains are preserved, protected and displayed.

Archaeologists found what they thought was the north eastern rim of the Globe before the weekend and yesterday confirmed its authenticity by comparing the remains of

Continued on Page 18



British Prime Minister Mrs Thatcher leads the applause for Mr Nigel Lawson

Lawson stands firm over rates policy

By Philip Stephens, Political Editor, in London

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday won an enthusiastic response from the Conservative Party conference with an uncompromising defence of his anti-inflation strategy and a confident message that high interest rates would restore the Government's grip on the economy before the next election.

Warm applause from the party faithful at the conference in Blackpool, north-west England, failed, however, to convince financial markets, where traders and analysts said that Mr Lawson had offered little new in the way of policy initiatives to calm the recent turbulence in trading. In the immediate aftermath of the speech, the pound fell before steadying at just below the previous day's levels.

In a clear attempt to demonstrate that the Government was not indifferent to the exchange rate, Mr Lawson told the packed conference that he would resist a "perpetual devaluation" of sterling. "The Conservative Party never has been and, never will be, the party of devaluation," he said.

In later interviews Mr Lawson repeated the message that he would not allow a "progressive devaluation," but he refused to discuss his tactics in relation to the latest bout of speculation against the pound.

His conference speech also made no mention of the Government's stance on the question of full entry into the European Monetary System, or of prospects for the trade deficit.

Some backbench MPs said the absence of a precise and detailed statement of exchange rate policy had not cleared up recent confusion over whether the Government would be prepared to raise interest rates again if the pound fell further.

The Chancellor's aides, however, said he would spell out the Government's monetary strategy in his annual speech next week at the Mansion House in London. Ministerial colleagues added that the basic – and successful – strategy yesterday had been to "calm the nerves" of those in the party who had been shaken by the rise in interest rates to 15 per cent.

Mrs Margaret Thatcher, the Prime Minister, will seek to reinforce that message of reassurance.

Continued on Page 18

Background and details, Page 8; Abbey National raises mortgage rate, Page 11; Lex, Page 18; London Stock Exchange, Page 33; Currencies, Page 40

Waiting to hear more from the Chancellor

By Peter Norman, Economics Correspondent

NIGEL LAWSON has lived to fight another day. Yesterday's speech to his Conservative Party's conference was an undoubted political success; it was punctuated by more than 30 rounds of applause and earned him a three-minute standing ovation with cheers to boot.

But it broke no new ground in terms of economic policy and its lack of substance was rewarded in financial markets with a short-lived but sharp drop in the value of sterling.

Speaking afterwards to the Financial Times, Mr Lawson defended the speech as one that was appropriate to a party gathering.

Nevertheless, he had left many questions open, thus increasing the importance to the Government of next Thursday's Mansion House Speech, when he will address bankers in the City of London.

As before, the Government's policy remains vulnerable to further bad news on the trade front, with financial markets already looking ahead nervously to publication of the current account figures for September on October 24.

Mr Lawson told the conference that he would not duck unpopular action to keep the economy "sound and strong." He rejected credit controls to curb demand and also appeared to rule out devaluation of the pound as a way of restoring Britain's overseas competitiveness. But he gave no explanation of how his rejection of "perpetual devaluation" squared with sterling's 2.5 per cent average depreciation over the past two weeks, and, after he left the podium, ambiguities began to appear.

He said in a BBC radio interview that he was not willing

Continued on Page 18

Saatchi brothers step down as chief executives

By Alice Rawsthorn in London

THE Saatchi brothers – Maurice and Charles – are relinquishing their roles as joint chief executives of Saatchi & Saatchi, once one of the world's dynamic communications and consultancy groups.

Saatchi has been haunted by takeover speculation in recent weeks. One of the chief criticisms has been the weakness of central management. Saatchi has been searching for a finance director for several months.

Mr Maurice Saatchi, who will remain as chairman, said: "Charles and I decided a new finance director would not be sufficient. We decided to appoint a group chief executive to bring a fresh approach to the whole of the company."

The new chief executive will be Mr Robert Louis-Dreyfus, a 43 year old Frenchman, who joins Saatchi from Dun & Bradstreet, the market research group, where he was chairman of IMS International, its successful pharmaceutical consultancy. Mr Charles Scott, 40, who worked with him at IMS as chief financial officer, has become Saatchi's new group finance director.

Mr Maurice Saatchi said the appointments were "designed to ensure that the group's next 20 years are as glorious as the last 20 years, and not like our last year." The appointments were seen on the London and New York markets as an attempt to restore investor confidence.

Saatchi staged a remarkable rise in the mid-1980s by staging a whirl of audacious acquisitions in international advertising, other areas of marketing and management consultancy.

But this year the group has suffered from a slowdown in advertising expenditure in the UK and the US. It is also finding it difficult to sell its troubled management consultancy interests. Saatchi is expected to announce a steep fall in pre-tax profits for the year to September 30 when its results are published in December. Ms Emma Hill of Wertheim, the New York stockbroker, expects profits to drop from £138m ($214m) to £60m ($92m).

Saatchi's relations with the investment community have been strained because of concern about weak financial controls and an apparent lack of strategy. Mr Maurice Saatchi telephoned investors and analysts in New York and London yesterday to explain the reasons for the appointments. This was his first significant contact with the investment community for many months.

The group's shares, which have fluctuated wildly this week, fell by 3p to 344p yesterday. Analysts were relieved that Saatchi was trying to strengthen its senior management. But they were dubious about the prospects of sorting out the group given the scale of its problems.

Mr Louis-Dreyfus said his first priority would be to complete the sale of the consultancies so that Saatchi could concentrate on its core communications business. Mr Roy Warman and Mr Terry Bannister, the chief operating officers, will report to him as heads of the communications division.

Once the consultancy sales were completed, Mr Louis-Dreyfus said that he would concentrate on strengthening Saatchi's central and financial controls. He dismissed the speculation surrounding Saatchi. "Do you think I would join a company which was about to be bid for?"

Lex, Page 18; Background, Page 19

Peugeot workers vote to end occupation of French factory

By William Dawkins in Paris

STRIKING WORKERS at Peugeot, Europe's third largest car maker, yesterday voted to end their sit-in at a plant in France, opening the way for the first talks in the six-week pay dispute to start today.

This is the first breakthrough in the dispute, the worst in Peugeot's history, which has crippled its two biggest assembly plants in north-east France. The last attempt at talks failed after workers refused 10 days ago to evacuate a forge at the main assembly plant for the group's 205 "supermini" at Mulhouse, near the West German border.

Peugeot management agreed in principle to open talks after workers occupying the forge, which makes engine and gear box parts, voted by 599 to 188, to end their three-week blockade. Both sides met in Mulhouse yesterday evening to discuss how to proceed with the meetings, which are scheduled to begin at the group's Paris headquarters today with Mr Roland Vardanega, the group's personnel director, said a Peugeot official. Unions have pledged to evacuate the Mulhouse forge the moment today's talks begin.

The French Government last week called in Mr Francis Blanchard, a former director general of the International Labour Organisation, as a conciliator. The Mulhouse vote came after he held several days of separate meetings with union representatives and management.

Peugeot management was yesterday sticking to its refusal to accept unions' demand for a FFr1,500 ($238) a month pay rise, which directors estimate would be worth Fr7bn in a full year. That compares with net profits of Fr8.8bn for the whole of 1988 for PSA, France's biggest private company, which owns Peugeot and Citroën. However, the group has said it is prepared to talk about other aspects of wages and working conditions.

By yesterday evening, Peugeot estimated it was 49,000 vehicles behind schedule because of the strike, 3.5 per cent out of what had been the company's planned volume of 1.377m cars this year. The shortfall is now far too great to be made up by the end of the year, say senior directors. Dealers in France and abroad are now experiencing shortages both of the 205, where 30,000 units have been held up, and the 405 saloon, which is 15,000 units behind schedule. Production of Peugeot's new 605 executive car is running about 15 per cent behind schedule.

Just over 1,000 workers are on strike out of a combined staff of 35,000 at Mulhouse and nearby Sochaux, the second assembly line hit by the dispute. Yesterday, the two were running at just over half of normal daily output, 1,765 units out of a scheduled 3,120. The strike comes just as Peugeot has been losing market share because of shortage of capacity in the face of a strong upturn in French car demand.

CONTENTS

UN loses way in Sahara peace effort as fighting resumes

King Hassan of Morocco (left) called off talks with Polisario guerrilla leaders after attacks on Moroccan defence lines which apparently cost hundreds of lives. The attacks underline how UN mediation efforts have stalled. Page 4

EUROPEAN NEWS

Spanish right tries discrediting Socialists

By Peter Bruce in Madrid

ONLY a few days into Spain's general election campaign, the country's political right – with tacit backing from the communists – has launched a virulent campaign to discredit senior figures in the Socialist Government.

With the Socialists successively occupying the middle ground of politics and almost certain to win another term, their opponents seemed to have focused on personalities in the absence of issues.

Their main target has been Mr Alfonso Guerra, who is deputy to Prime Minister Felipe Gonzalez, his oldest political confidante, and a man whose blunt manner recalls Britain's Mr Norman Tebbit.

A formidable organizer, Mr Guerra has become a useful bête noire for the opposition, who constantly accuse him of manipulating television news by appointing his own people to broadcasting. He is alleged to run his own shadow cabinet, with Mr Gonzalez' approval.

For a while, conservative newspapers appeared to believe they had found a way of getting at Mr Gonzalez himself. His wife's decision to run for Parliament was portrayed, implausibly, as the rebellion of an unhappy woman.

Unable to sustain those insinuations, the press returned this week to Mr Guerra. A weekly magazine which supports the conservative Partido Popular is running a cover picture of a ex-girlfriend of Mr Guerra's, reporting that her mini-skirt was the most expensive item of clothing in Madrid this summer.

This was followed by a series of claims about the homes of his former and present wife - all apparently intended to suggest that Mr Guerra lives beyond his means and to cast aspersions on his integrity.

By tapping one of the great Spanish vices, envy, the campaigns of the Spanish left and right wing opposition centre on portraying the Socialists as champagne-swilling high-living hypocrites.

W German engineering booms

By Andrew Fisher in Frankfurt

WEST GERMANY'S mechanical engineering industry is likely to experience a rise in production of about 8 per cent in real terms this year, more than twice the 3.2 per cent achieved in 1988, the industry association (VDMA) said yesterday.

For the first time in 20 years, order books were full enough on average to provide work for the next seven months. Companies' average rate of capacity utilisation had risen to 91.3 per cent in the middle of this year from 86.5 per cent in mid-1988.

The VDMA also said, however, that more than a fifth of companies in the industry were short of skilled labour, although employment had risen by 2.5 per cent to 1.1m people in the 12 months to July.

But for constraints on capacity, the industry would have been capable of a growth rate of 10 per cent in 1989, the VDMA said. Including price rises of some 3 per cent, the industry's turnover could reach DM200bn (£67.5bn) against DM180.4bn in 1988. The new order inflow rose by a nominal 18 per cent in the first eight months of 1989.

The engineering sector has been a main contributor to West Germany's rapid economic growth this year. Concern about the inflationary impulses arising from continued high demand for German goods, especially from abroad, helped prompt the Bundesbank into raising key interest rates by a full point last week.

Europe spends more on adverts

By Raymond Snoddy

SPENDING ON advertising in Western Europe rose to Ecu40bn (£28bn) last year as the media industry continued to enjoy a boom.

International communications analysts CIT Research estimate the industry grew by 8 per cent, with 22 per cent of the total spending in the UK, followed by West Germany (21 per cent) and France (14).

CIT in its Media Map of Western Europe, published today, says that while press accounted for some 66 per cent of total advertising revenue and television only 22 per cent, television is likely to increase its take as new commercial channels are launched.

Switzerland tops the list for advertising, spending Ecu250 (£174) per head of population. The UK spends the highest proportion of gross domestic product on advertising, 1.42 per cent, just in front of Finland and Spain.

The new satellite channels, according to CIT, have scarcely begun to dent the audiences of the conventional broadcasters. By early this year the 40 *satellite channels* now broadcasting in Europe had only 16 per cent of the audience in the households equipped to receive them.

As this in turn accounted for only 11 per cent of all viewers, satellite television held only 1.7 per cent of total viewing – an average of 0.04 per cent per channel.

The expansion of commercial television, however, has started to affect the press sector, CIT believes, with newspaper circulations stagnant or falling in most European countries.

CIT's A Media Map of Europe 1989, 265 pages £1,580 from CIT Research, 23 Dering Street, Hanover Square, London W1R 9AA.

Brussels outlaws farm research tax scheme

By Tim Dickson in Brussels

A DUTCH system of aid to agricultural research, financed by taxing animal feed and seed producers' organisations, has been declared illegal by the European Commission in a decision with important implications for farmers' lobbies in the European Community.

The ruling is seen as a test case in Brussels, which is likely to apply the same principles against other "parafiscal" taxes in member states.

Parafiscal taxes are compulsory levies on particular industrial and agricultural sectors, the receipts from which are reinvestment for their benefit.

The EC has long been suspicious of the way such taxes are used. But while Brussels has successfully challenged industrial organisations and producer committees, it avoided tackling farming groups.

The aid in the Dutch case, according to the Commission, was used for promotion and research, the ultimate aim being to increase production.

The key point is that the taxes have to be paid on imports from other EC states as well as on products of domestic origin.

Irish not to prosecute Ryan

By Kieran Cooke in Dublin

THE BRITISH Director of Public Prosecutions last night said the Government was "most disappointed" the Irish decision not to prosecute Mr Patrick Ryan, the former missionary priest who last year was at the centre of an extradition row

Mr Ryan, 59, was arrested in Brussels last June. Britain sought his extradition on charges related to a series of IRA explosions in London in the early 1980s.

The Irish Attorney-General turned down a UK extradition request, arguing that due to adverse publicity in the British media, Mr Ryan would not have a fair trial in Britain.

Honecker is clinging to power, says official

By Leslie Colitt in Berlin

A SENIOR East German official said yesterday that Mr Erich Honecker, the East German leader, was tenaciously "clinging to power" despite charges in the party leadership that he has lost all credibility with the population and should resign.

The official, who did not want to be named, said opposition was coming from fellow conservatives in the politburo and the central committee.

They are afraid that the party's more conciliatory line, adopted after six days of demonstrations in big cities, will be discredited if he remains in power.

Reformers "played no role" in the manoeuvring that took place in the central committee building this week, the official claimed. The politburo held an extraordinary two-day meeting there and issued an ambiguous statement published yesterday in the main party newspaper, *Neues Deutschland*, and all other newspapers.

Significantly, it quoted Mr Honecker's speech at last week's 40th anniversary celebration, in which he called on citizens to make proposals on the future of East Germany. The statement said the main issues were "democratic togetherness," adequate supplies of goods, payment based on performance, media "oriented to life," and travel possibilities.

The party was ready for a discussion in which all views for an "attractive socialism" were important. It would present its proposals, based on discussions in party organisations and with workers, at the next central committee meeting. But it would oppose "proposals and demonstrations" which aimed to mislead people and "alter the constitutional foundations" of the state.

In a further barely-veiled attack on the opposition and demonstrators, the politburo statement said those people who wanted to misuse citizens for "counter-revolutionary attacks" would be excluded from any dialogue, as would those who disrupted "peace and order."

French economy feels effect of strike by civil servants

By George Graham in Paris

FRANCE'S Finance Minister, Mr Pierre Bérégovoy, is becoming more and more bogged down in a four-month-old strike that has spread steadily to include a broadening number of the tax collectors, customs officers, statisticians and government accounts officers under his command.

After the cancellation of another round of talks scheduled yesterday, the gap between Mr Bérégovoy and the civil servants' unions appears for the moment unbridgeable: the minister's proposal of a FFr1,200 (£120) premium this year, followed by FFr1,500 in 1990, has done nothing to quench the demands of his employees.

Outside the Finance Ministry, the Government has won the warm approval of the civil service unions by proposing discussions on a thorough overhaul of the entire range of public sector salaries, which locked into a rigid set of overlapping scales since 1948, coupled with a FFr1,200 premium linked to the growth of the economy.

But the Finance Ministry employees are still insisting that the separate payment proposed by Mr Bérégovoy should be fully integrated into their pay packets, rather than added as a premium.

The strike is anything but unpopular: the prospect of tax collectors downing tools is on the whole a pleasant one for the French citizen

The angriest reactions have come from Socialist members of Parliament, who have taken Mr Bérégovoy and Mr Michel Charasse, his Budget Minister, to task for their inability to settle the conflict.

The strikes have had some curious consequences, however, and some sectors of the economy have begun to suffer from the drawn-out dispute.

Economists had to make do last month without the usual adjustment for seasonal variations in the foreign trade statistics; jewellers in some towns have suffered because they have not been able to have their products hallmarked by the official assay officers; Beaujolais vineyards had difficulty obtaining the proper authorisations to buy sugar for increasing the alcohol content of their wine; and producers of calvados, the Norman apple brandy, have also found their customs inspectors on strike.

The unrest has also gradually spread to frontier customs posts, and long queues have been reported at some borders.

The government's move to widen discussions on the civil service pay scales may, however, have headed off the possibility of contagion to other ministries

Mr Michel Rocard, the Prime Minister, has until now attempted to treat public sector disputes one by one, but as the Finance Ministry strike has dragged on with no sign of improvement he has decided that the time has come to tackle the whole question of civil service pay and career structures, and to come to grips with the demoralisation affecting many sectors of the French state.

Swedish court quashes Palme murder conviction

By John Burton in Stockholm

THE BIZARRE saga surrounding the assassination of Swedish Prime Minister Olaf Palme took perhaps its final twist yesterday when a court of appeal ordered the release of the man convicted in July for the 1986 murder.

The Svea High Court, which has conducted a retrial of the case over the past month, unanimously decided that there was not enough evidence to keep Christer Pettersson, a 42-year-old habitué of the Stockholm underworld, in custody. The Stockholm-based regional court will issue its final decision on November 2 clearing Mr Pettersson, who is now eligible for compensation and possibly a new identity.

The case against him was based largely on circumstantial evidence. Mrs Lisbet Palme, the Prime Minister's widow, identified him as being at the scene of the murder, while other witnesses placed him near the spot.

But the prosecution offered no motive for the crime and the murder weapon has never been found. Mr Pettersson, who was arrested last December, has consistently said he is innocent. He admits he was in a gambling den close to where Mr Palme was shot on the night, but claims he was on his way home to a Stockholm suburb when the Prime Minister was killed.

Yesterday's decision was not totally unexpected. When Mr Pettersson was convicted by an eight-person jury in a lower court this summer, the two legal assessors on the jury voted for an acquittal citing lack of evidence.

But the high court decision will likely mean that the murder investigation, which has been plagued by bungling and bureaucratic infighting, will never reach a definitive conclusion, although the police vowed yesterday they would pursue the case.

Rise in demand for reinsurance

Worldwide demand for reinsurance more than doubled between 1984 and 1987 to $91.9bn, according to Swiss Reinsurance Group, writes John Wicks in Zurich. Part of this growth was due to alterations in exchange rates, but reinsurance developed at the same pace as direct insurance.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

EUROPEAN NEWS

W European car sales down 3% in September

By Kevin Done, Motor Industry Correspondent

WEST EUROPEAN new car sales declined by an estimated 3 per cent in September to 970,000, the first monthly fall this year. Demand weakened particularly in West Germany and Britain, two of the main volume markets, but overall sales were lower in 10 of 17 markets across Europe.

Car-makers have been surprised by the strength of demand earlier year, and a fall has been widely forecast for the second half.

For the first nine months new car sales were 4.1 per cent higher than a year ago at 10.43m. The full year's sales are still expected to reach a record for the fifth year.

According to industry estimates West Germany, the biggest market, showed one of the sharpest falls: 18.1 per cent to 208,000. The drop was exceptional, however, and partly accounted for by record sales in September last year, when demand was brought forward from October by the threat of price increases.

At the same time heavy incentive programmes by some manufacturers this year drew sales forward into August, while a later pattern of works holidays and plant shutdowns has meant a shortage of stocks in some dealer networks.

British sales fell by 10.1 per cent in September. The market is finally reacting to the harsher economic climate and very high interest rates, while some demand had also been brought forward into August, the month when the registration number prefix changes and traditionally the biggest sales month of the year.

According to industry estimates sales were also lower in all the Nordic countries and in Switzerland, Austria, the Netherlands and Portugal.

Sales rebounded strongly in Italy last month, however, with a 11.4 per cent jump following the reverse in August, and sales are still rising strongly in France and Spain, as well as in Greece, Ireland, Belgium and Luxembourg.

For the first nine months sales were lower than a year ago in only four markets: Denmark, Norway, Sweden and Portugal.

The big fall in West Germany last month and the recovery in Italy have undermined Volkswagen's leadership of the overall market. Volkswagen, which includes Audi and SEAT, regained the leadership at the end of August, but was narrowly overhauled again in September by Fiat, which includes Alfa Romeo, Lancia and Ferrari.

Industry estimates indicate both had around 14.8 per cent of West European sales in the first nine months, although Fiat again appears to be marginally ahead. Last year Fiat led the market for most of the year but was overhauled by Volkswagen, which has led the league for four years.

General Motors (Opel and Vauxhall) has emerged as the fastest growing volume carmaker in Europe this year, with an estimated increase of 8.9 per cent in volume sales to 1.145m. Helped by the success of its Opel Vectra/Vauxhall Cavalier range, launched a year ago, it has increased its market share in the first nine months to 11 per cent from 10.5 per cent a year ago.

The main losers are Mercedes-Benz and Rover. Mercedes has been hit hard by the slump in diesel sales in West Germany, while Rover has struggled to halt the erosion in its market share in the run-up to the introduction of a series of new products over the next six months including a lower-medium car range, the Rover 200/400 unveiled this week.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-September 1989

	Volume (Units)	Volume Change(%)	Share (%) Jan-Sept 89	Share (%) Jan-Sept 88
TOTAL MARKET	10,433,000	+4.1	100.0	100.0
MANUFACTURERS:				
Fiat (incl. Lancia & Alfa Romeo)	1,545,000	+5.4	14.8	14.6
Volkswagen (incl. Audi and Seat)	1,544,000	+5.5	14.8	14.6
Peugeot (including Citroen)	1,328,000	+5.2	12.7	12.6
Ford	1,229,000	+6.1	11.8	11.6
General Motors (Opel, Vauxhall)	1,145,000	+8.9	11.0	10.5
Renault	1,057,000	+7.1	10.1	9.9
Rover	339,000	−7.5	3.2	3.7
Mercedes-Benz	331,000	−5.5	3.2	3.5
Nissan	318,000	+4.5	3.0	3.0
BMW	304,000	+9.6	2.9	2.8
Toyota	268,000	−2.9	2.6	2.8
Volvo	206,000	+0.6	2.0	2.0
Total Japanese	1,140,000	−0.8	10.9	11.5
MARKETS:				
West Germany	2,158,000	+0.2	20.7	21.5
United Kingdom	1,919,000	+5.1	18.4	18.2
Italy	1,818,000	+8.7	17.4	16.7
France	1,678,000	+7.4	16.1	15.6
Spain	857,000	+7.6	8.2	8.0

Source : Industry estimates

Turkey approaches political watershed

By Jim Bodgener in Ankara

TURKISH legislators are preparing for what could be the country's biggest political watershed since the restoration of civilian rule in 1983 – the election, in a parliamentary ballot at the end of this month, of a successor to President Kenan Evren.

Despite a slump in his popularity, it looks likely that Mr Turgut Ozal, the Prime Minister, will be a candidate, raising questions about the future of his Motherland Party (Anap).

If Mr Ozal becomes President, he would be only the second civilian head of state since the republic's proclamation in 1923. He says the next President will come from Parliament, and probably from Anap, but is not expected to confirm his candidacy before October 19, when applications close.

The opposition claims he would lack a moral mandate, given voters' dissatisfaction with high inflation, underscored by Anap's 13.5 per cent rating in a recent opinion poll.

But last week, he ruled out conferring with the opposition on the candidacy, and on Wednesday he won a mandate of 95 per cent in a secret ballot within Anap's parliamentary group. Anap controls 289 of the 450 parliamsntary seats, enough to ensure its candidate's success in the third-round ballot, when a simple majority suffices.

"When you are talking about politics, you must consider the ethical side as well," ex-premier Mr Suleyman Demirel, leader of the third largest parliamentary group, the True Path Party (DYP), told the FT this week.

He agreed that: "We cannot stop it (Ozal's candidacy), and whatever we are going to do will be legal." But to indicate its indignation, both the DYP and the main opposition Social Democratic party (SHP) would boycott the vote.

Mr Demirel added that if the DYP won the next general election, a new system of national elections to the presidency would be introduced, forcing Mr Ozal to step down.

As an indication of the mood of political ferment, the military issued a statement over the weekend intended to quash rumours of an impending coup bid, and reiterating its commitment to democracy.

Harder to quash will be speculation about Anap's survival without Mr Ozal – and about who will succeed him as Premier and party chairman.

Claim to both posts has been laid by Mr Mehmet Kececiler. He has a formidable power-base, as leader of the "holy alliance" of Islamic conservatives and right-wing nationalists, embracing a quarter of Anap's legislators.

If he does not become party leader, he has ideas on who should: one candidate would be his university friend, the ex-Education Minister, Mr Hasan Celal Guzel.

Acceptable, too, on the right of the party would be the Finance and Customs Minister, Mr Ekrem Pakdemirli, a top bureaucrat-turned-politician, or Mr Husnu Dogan, who was a competent Farm Minister.

Bnt Mr Kececiler would oppose the ambitious young Foreign Minister, Mr Mesut Yilmaz, backed by Anap's liberal wing.

While Anap is a young party, cobbled together from remnants of pre-1980 centre and right wing groupings, there is probably enough common interest in survival to keep it together.

Dose of realism sobers Latvia's heady nationalism

The Popular Front has voted to seek independence, but compromise is in the air, writes **Quentin Peel**

IT SHOULD have been an ecstatic affair, an occasion for firebrand speeches, full of rampant nationalism.

More than 1,000 delegates had gathered last weekend in the unlikely surroundings of Riga's House of Political Enlightenment (Marxist-Leninist model) to reassert their determination to be an independent nation. The Latvian Popular Front (LPF) was coming of age.

Yet, in the event, it was a curiously subdued occasion. Gone were the massed crowds outside who cheered every move when the Front was formed a year ago. Instead, thsre were a few hnndred onlookers milling around, a few placards denouncing ths role of the Communist party and the state of local ecology, and little knots of earnest debate.

It was as if the very enormity of what the delegates were doing, throwing down a direct challenge to the might of Moscow and demanding their right to secede from the Soviet empire, had brought a sudden dose of sobriety.

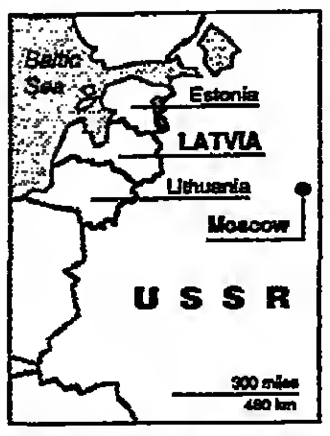
It did not change the end result. The Popular Front, a mass movement embracing everyone from true blue capitalists to social democrats and reformist Communists, united only in their dedication to the revival of the Latvian nation, is now formally committed "to restore the independence of the Latvian stats by creating a democratic parliamentary republic."

It means an end to a one-party system, demilitarisation (the withdrawal of the Red Army – and Navy), and the creation of a separate economy with its own convertible currency. All that was overwhelmingly approved.

But there was also a desire for compromise in the air, and a dose of realism: it was all very well citing slogans of independence, but how could it be done? The strongsst applause was still reserved for the outright proponents of confrontation, but the votes were won for more moderation.

Since the revival of nationalism swept the three Baltic republics on the coat-tails of Mr Mikhail Gorbachev's social revolution, Latvia has consistently been the most divided: at once the most strident, and the most cautious.

In neighbouring Lithuania, the indigenous population amounts to about 80 per cent of the total. They are not under threat. In Estonia, it is more like 60 per cent, but they still have the majority. In Latvia, Latvians now probably amount to just under 50 per cent of the republic's inhabitants (the latest census results are still awaited), and they talk openly



about the danger of national extinction.

The most burning question of all is how to halt, if not reverse, the waves of Russian migration since the Second World War, when Latvia was forcibly re-integrated in the Soviet state.

Yet it is also because of that large non-Latvian population that the leaders of the Popular Front are acutely aware of the need for allies.

"The losers in a state of nationalist quarrelling will be both Latvians and non-Latvians, hut the winner will be the old way of doing things," said Dainis Ivans, the 34-year-old journalist who won a hruising battle for re-election as president of the Front. The radicals, like the National Independence Movement, wanted him out for being too cautious – and a member of the Communist party.

Indeed, the role of the party in the whole affair is critical. Only days before the congress, Mr Jan Vagris, the Republican party leader, was rumoured to have told a closed meeting that all Communist party members would have to leave the Popular Front if it approved the independence programme.

Yet the congress was attended by Mr Anatoly Gorbunov, president of the Latvian Supreme Soviet, who was clearly extremely anxious to find the document acceptable. The only clause he identified as truly offensive was one which declared that "the activities of organisations and parties which are organisationally subjected to the USSR or other states (should) be stopped."

That statement was obviously a direct assault on the role of the Communist party, subordinate as it is to Moscow, and Mr Gorbunov declared it "undemocratic." As a result it was changed: the Front will do no more than work to achieve a situation where all parties and organisations in the republic are independent.

Mr Gorbunov's concern was obviously that if the party was forced to reject the Popular Front platform, it would undermine the little support it still has among Latvians.

Whether Moscow can live with the platform is another question. But already, Front leaders are trying to calculate what might happen in the event of a disputed secession and Soviet sanctions. The conclusions are obvious, and all depressing. It could mean a loss of all principal energy supplies: 100 per cent of oil, gas and coal come from the USSR, and 50 per cent of electricity.

Academician Arnis Kalnins, chairman of the Front's economic committee, was also blunt about the prospects of securing Western assistance. "In the case of sharp political confrontation it can be assumed that other governments will not guarantee the granting of credit to Latvia, since it already has credit commitments with Moscow," he said. "It will be possible to hope for short-term credit at high-risk rates only."

A similar message abont the fickleness of Western support came from Mr Edvins Inkens. Front delegations to Western governments had produced "paradoxical and instructive results," he said. "For them, stability is important, and we might upset that stability."

Instead, the Latvians are pntting their hopes in Baltic solidarity – the creation of a Baltic common market with Estonia and Lithuania, a common currency system, and a joint approach to Moscow.

"The mood in Moscow changes frequently," said Mr Janis Aboltins, depnty chairman of the Latvian state planning committee. "In July they said they would sign a treaty (on economic relations), hut after August 26 (when the Communist party central committee issued a furious denunciation of Baltic nationalism) they refused.

"What is absolutely clear to us hureaucrats here in Latvia is that Moscow hureancrats resist these ideas. The more radical the slogans pronounced here, the more difficult it is for us afterwards in the corridors of Moscow."

Yet for Moscow, the decision is sgonising, too. Mr Gorbachev wants to encourage maximum economic antonomy for the republics in the interests of greater efficiency, as well as greater equity. He knows the Baltic Communist parties cannot afford to denounce the nationalist movements. Bnt nor will his vast Russian constituency countenance ontright secession.

"It's all very well all this talk of independence," one leading Russian reformer in the Supreme Soviet said this week. "The lion is still watching. But when will the lion roar?"

Opposition parties unveil Australian election policies

By Chris Sherwell in Sydney

AUSTRALIA'S opposition Liberal and National Party coalition yesterday unveiled a tight tax and spending policy as the principal plank of its platform to fight the next general election.

The long-awaited announcement, in effect, completes the piece-by-piece disclosure of the coalition's policies, designed to distinguish it from the ruling Labor Party, which has held power since 1983.

Although the coalition is running neck-and-neck with Labor in the opinion polls, Mr Andrew Peacock, the Liberal leader, has failed to make a dent in the support for Mr Bob Hawke, the Prime Minister.

The key elements of what it called "an action plan for a more productive and fairer Australia" include a reduction in the top 47 per cent rate of personal income tax to match the corporate rate of 39 per cent, and a commitment to move towards a flatter two-tier personal tax regime.

The coalition promises increased breaks for families with children – through a child tax rebate, a dependant spouse rebate, and a tax rebate for child care – and says it will compensate taxpayers for the way inflation lifts them into higher tax brackets.

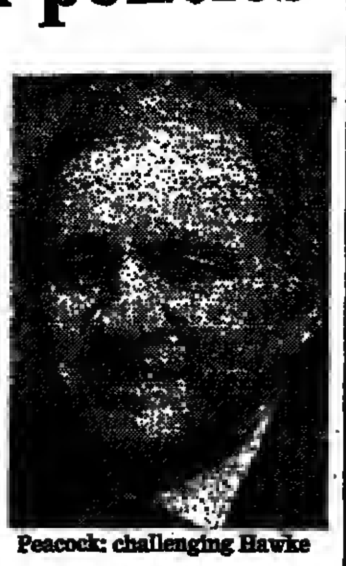
It says it will replace Labor's capital gains tax with a "speculative gains tax" which phases out over five years' possession of the asset. But it will retain the fringe benefits tax and Labor's plan to remove gold companies' exemption from corporation tax.

The coalition makes no mention of a broad-based consumption tax, even though it is increasingly regarded as an essential tax reform. And it has dropped a proposal to redress the current imbalance in the tax regime which encourages borrowing and deters saving.

To help pay for its A$2.5bn (£1.25bn) package, the coalition says it will make government spending cuts worth A$2.7bn in the current year, falling chiefly on unemployment payments, education, Aboriginal affairs and payments to Australia's state governments.

It also promises asset sales of A$1.6bn under its privatisation programme, which is expected to begin with the two state-owned airlines, Qantas and Australian Airlines. The proceeds would go to retirement of debt.

The coalition says its programme would produce a fiscal surplus of A$10.8bn in the current fiscal year ending in June 1990, compared with the A$9.1bn estimated by the Labor Government in its recent budget. It would entail a shift away from Labor's emphasis on monetary policy.



Peacock: challenging Hawke

Yesterday's announcement is part of a wider package of policies embracing industrial relations and wages and micro-economic reforms. But it is seen by many as the opposition's best chance to impress the electorate before the next electoral campaign, expected before the middle of next year.

Criticising the package last night, Mr Paul Keating, the federal Treasurer, said it would not provide scope for easing monetary policy and would help the wealthy at the expense of the needy. He said it did nothing to address the country's balance of payments and external debt problems.

Lebanese MPs accept Arab League plan

By Lara Marlowe

LEBANESE parliamentarians meeting in Saudi Arabia yesterday accepted an Arab League peace plan, but General Michel Aoun, the Christian leader, immediately vowed to continue his war to expel the Syrians from Lebanon.

The Arab League plan, announced last month and accepted by a 17-member working group composed of deputies from all Lebanon's religious communities, includes a diminution in the powers of the Christian Maronite President and an increased political role for Lebanon's Moslem majority.

It also provides for an eventual pull-back by the Syrian army from Beirut to eastern Lebanon, but does not comply with Christian demands for a complete withdrawal of Syria's 40,000 troops.

The agreement will now have to be formally endorsed by the full parliament and by Lebanon's powerful militia leaders.

It seems certain to provoke fierce controversy among the Maronite Christian minority. Gen Aoun is struggling to maintain a dominant position among the Christians after agreeing to end six months of artillery battles with Syrian troops and their allies under an Arab League-sponsored ceasefire last month. According to Lebanese sources in Taif, the agreement is the result of heavy pressure from the foreign ministers of Saudi Arabia, Morocco and Algeria, the authors of the Arab League plan. On Wednesday night, the ministers are reported to have threatened to suspend their mediation efforts unless agreement was reached within 24 hours.

Demands by Christian deputies for a complete Syrian withdrawal had until yesterday prevented an agreement. But the Christians finally accepted assurances by the League's Committee that it would push for a more rapid Syrian disengagement than the pull-back from Beirut which the proposals require after two years.

Despite pressure from the US and other Western countries to accept the peace plan, Gen Aoun told a crowd of supporters in Beirut yesterday: "The deputies and those who are sponsoring this meeting should understand that sovereignty and independence are not subject to negotiation and bargaining.

"They should remember that a war has erupted to liberate Lebanon and it is still on and it will continue until achieving its goals."

His remarks, and sceptical comments by other Lebanese leaders yesterday, highlight the problems that the latest agreement is likely to run into when the deputies return to Beirut.

The next session of the Lebanese Parliament – which will have to elect a President for the first time in more than seven years – has been tentatively scheduled for the Villa Mansour on Beirut's dividing Green Line early next month.

The working group is to draw up a final document prior to the departure of the 62 deputies from Taif over the weekend.

Under the Arab League plan, the Presidency will continue to be reserved for the Maronites as it has been under Lebanon's 46-year-old power-sharing arrangements. After a President is elected, the deputies will sign the documents agreed upon in Taif. New deputies will be nominatsd to fill the depleted Parliament and establish an equal number of seats for Moslems and Christians. One of the first steps taken by the new President is likely to be the nomination of a new Commander in Chief of the armed forces to replace Gen Aoun.

Israelis set up inquiry over Syrian jet defection

By Hugh Carnegy in Jerusalem

ISRAEL'S Chief of Staff, General Dan Shomron, yesterday appointed two senior air force officers to investigate how a Syrian Mig-23 fighter was able to penetrate Israel's most sensitive frontier and land apparently unchallenged as concern mounted over the security implications of Wednesday's defection by a Syrian pilot.

"There is a question that people are rightly asking," said Mr Yitzhak Shamir, the prime minister. "How a plane can arrive without us detecting it immediately. On this there is an investigation."

Military officials said the Soviet-made fighter was spotted as it suddenly diverted from its training flight east of the Israeli-Syrian border and flew across the Golan Heights before landing on a small airstrip in northern Israel.

There were doubts over whether it was tracked all the way by radar – despite systems which can follow aircraft movements deep within Syria – and the speed of reaction by the air force and ground forces. They neither attempted to shoot the intruder down, nor, apparently, scrambled planes to intercept it. Workers at the airstrip where the Syrian pilot landed and asked for asylum said it was 20 minutes before the security forces arrived.

The possibility that the Israelis knew in advance of the defection – an explanation that would relieve some of the embarrassment – was not advanced by the military. Instead, there was a widespread belief that Israel's formidable air force and ground-to-air defences had been penetrated in an alarming way from the country which the Israeli authorities perceive as their greatest threat.

One Western military attaché said he did not believe the Israelis could have confirmed the intruder was not hostile before it landed, raising the question of why it was not intercepted. The incident highlighted the shortage of time available for response in such a small geographical area. In the seven minutes the defector was airborne in Israel he came within range of a major air force base.

The defence worries, always paramount in Israel, overshadowed the intelligence and propaganda gains of the incident. According to civilians who spoke to Major Bassem, he said he fled Syria because he was denied decent housing.

Hong Kong cuts Peking's bases options

By John Elliott in Hong Kong

HONG KONG has decided to go ahead with a large waterfront property development which will deprive China of the only existing naval base in the central district when the colony reverts to Peking's sovreignty in 1997.

In 1992 an existing Royal Navy bass, which provides shelter for three patrol craft and accommodates visiting ships, will be moved to Stonecutters Island in the harbour near Kowloon. This is a site which the UK has in the past suggested should house the entire Chinese garrison after 1997.

The decision to move the base was announced yesterday by Sir David Ford, Hong Kong's chief secretary. He said that Peking had been informed of the plans, but he declined to say whether it had given its approval. Peking could regard the move as a pre-emptive strike by Hong Kong and the UK at a time when the location of Chinese troops in the colony has become highly controversial.

This could further exacerbate existing tense relations which have developed since the Tiananmen massacre.

A serious diplomatic row, which shows no signs of being solved, has blown up this week over the treatment of Chinese illegal immigrants.

Yesterday a Foreign Ministry spokesman in Peking said Hong Kong had "unilaterally destroyed" co-operation on the immigrants by allowing a Chinese swimmer to travel last week to the US instead of sending him home.

The naval base takes up about one third of HMS Tamar which is the headquarters of all the British forces in Hong Kong. The Government has not yet decided whether to demolish the main Prince of Wales headquarters building and adjacent facilities.

Before June, Hong Kong was having constructive talks on the issue with the Chinese in the Sino-British Joint Liaison Group which is preparing for the 1997 handover, It seemed likely at that time that China might agree to most of the area being cleared, although senior People's Liberation Army officers who visited the base are understood to have been keen to retain it. The area forms part of the colony's reclamation project which will push the present waterfront out 300 metres. When it is completed, the waterway between Hong Kong island and Kowloon will have been halved.

After the Chinese crushed the students demonstrations, Britain supported local demands that no People's Liberation Army troops should be stationed in Hong Kong after 1997. Peking rejected this as a challenge to its sovreignty, and Chinese officials said that the demand made it more difficult for them to agree to vacate the Tamar site.

Colony looks to private sector to underwrite projects

By John Elliott in Hong Kong

THE Hong Kong Government hopes the private sector will provide between 40 and 60 per cent of the HK$127bn ($16.2bn) cost of infrastructure projects planned for the next 15 years, which will include a new airport and extensive new port facilities.

Sir David Ford, Hong Kong's chief secretary, said yesterday the Government had a "high degree of confidence" that the private sector would put up the funds, despite the risks involved in Hong Kong returning to Chinese sovereignty in 1997.

The projects, planned for completion by 2006, were announced by Sir David Wilson, the Governor, on Wednesday in his annual opening speech to Hong Kong's Legislative Council.

It was announced yesterday that the new airport is estimated to cost HK$35bn. This will probably involve a debt equity ratio of one to three. The government intends that all the debt should be raised as loans from the private sector, but it plans initially to take all the equity itself. Private sector equity participation will be invited later if this appears to be viable.

Some of the finance is likely to come from a special land fund, now totalling HK$14.8bn, which is intended to provide reserves for Hong Kong's new administration when the colony reverts to Chinese sovereignty in 1997.

Projects which the government expects the private sector to finance and operate include a 1,400 metre feeder bridge to the airport, which will be one of the world's longest suspension bridges, a third tunnel under the harbour and expansion of the the world's busiest container port.

US seeks to reassure fears over SII

By Stefan Wagstyl in Tokyo

A SENIOR US official yesterday tried to allay Japanese fears that the Structural Impediments Initiative, talks about the root causes of economic imbalances between the US and Japan, might turn into an American attack on Japan.

Mr John Robson, deputy Treasury Secretary, said that as well as asking for changes in Japan, the US had taken seriously Japanese requests for structural change in America. "SII is a two-way street," he said.

Mr Robson conceded there was merit in Japanese claims about the weaknesses of the American economy – including inadequate education and training, a low savings rate, and Federal and trade deficits.

But he said the Administration was tackling these problems. He admitted that US company executives did consider the short-term performance of their companies – as the Japanese have claimed – but they also looked at long-term plans and investments.

The conciliatory tone of Mr Robson's speech echoed that of Mr Robert Kimmitt, Under Secretary of State for political affairs, who spoke earlier this week about a "global partnership" between the US and Japan.

Their words contrast sharply with the message of Miss Carla Hills, the US Trade Representative, who is leading their mission to Japan this week.

Miss Hills has raised serious points of disagreement on trade issues between the two countries.

Mr Robson's and Mr Kimmitt's message is that even though there are problems in the US-Japanese relationship many things are also going well.

Demonstrators wave banners to celebrate the impending release of nationalist leaders and urge the release of Nelson Mandela

ANC leaders to test Pretoria's sincerity

By Patti Waldmeir in Johannesburg

AFRICAN National Congress leaders due to be released soon from South African jails will test their freedom by immediately seeking to visit their exiled colleagues at the ANC's headquarters in Zambia.

Officials of the National Reception Committee, an anti-apartheid group co-ordinating arrangements for the release of South Africa's most important political prisoners, said yesterday that the prisoners would apply for passports to travel to Lusaka to consult with exiled members of the banned ANC.

Anti-apartheid leaders said that a refusal to grant them passports would be viewed as a signal that Pretoria was not serious about its stated aim of beginning talks with blacks on South Africa's future.

The release of the prisoners, several of whom were senior members of the ANC in the 1950s and 1960s, has led to speculation that an internal wing of the organisation could be formed to operate legally while the exiled, military wing of the ANC would remain outlawed.

Officials of the reception committee said they had been informed that the releases would take place over a two week period, but that the date of the first release was not yet known.

Pope calls on Indonesia to improve rights record

POPE JOHN PAUL yesterday made an impassioned plea to Indonesia to improve human rights conditions in East Timor, while avoiding explicit reference to the legal status of this disputed former Portuguese colony annexed by Jakarta in 1976, John Murray Brown reports from Dili.

At a Mass outside Dili, the provincial capital, the Pope called for reconciliation to end more than 14 years of social and economic deprivation of the 600,000 largely Catholic population.

The Pope said the suffering has gone on too long. "You have known what it means to be victims of hatred and struggle," he told a crowd of around 100,000.

"For too long you have been suffering a lack of stability which renders your future uncertain."

The two-hour service was briefly interrupted by a demonstration by a small group of supporters of Fretelin, the movement for Timor's independence which briefly held power in the wake of Portugal's hasty withdrawal.

A tenth of Timor's population died in the fighting and famine that followed Indonesia's invasion in late 1975. Human rights groups say army reprisals against civilians continue today.

The Vatican, like the United Nations, does not recognise Indonesia's sovereignty over the territory.

The Pope went out of his way yesterday to stress the pastoral nature of the visit and did not kiss the ground, his traditional gesture on arriving in a new country for the first time.

Indonesia on the other hand has clearly tried to make political capital out of the trip.

Yesterday thousands of Indonesian flags lined the streets of Dili, a large government poster welcomed the Pope to Indonesia's 27th province and at the Mass site a large picture of President Suharto had been erected next to one of the Pope.

Chanting, banner-waving youths opposed to Indonesian rule over East Timor clashed with club-wielding police in front of the altar where Pope John Paul II was finishing his benediction to a crowd of about 80,000, AP adds from Dili.

UN loses its way in Sahara peace effort as fighting resumes

By Francis Ghilès

THE two attacks mounted over the past five days by guerrillas of the Polisario Liberation Front against Moroccan defence lines at Guelta Zemmour and Hauza underline the extent to which the mediating efforts of Mr Javier Pérez de Cuéllar, the United Nations Secretary General, have stalled.

The attacks, which appear to have cost hundreds of lives on both sides and which, at Hauza on Tuesday, witnessed the use of Polisario mechanised divisions and the Moroccan air-force, constitute the first serious fighting in 12 months. Following the attack on Guelta Zemmour, King Hassan called off a planned second round of talks with Front leaders.

In August last year, both sides accepted UN proposals for a ceasefire in the 14-year conflict which pits Morocco against the Polisario Front and Algeria over the status of the former Spanish colony of the Western Sahara. They also accepted a referendum on the area's political future.

Efforts to put it into practice seemed to be bearing fruit when, at the beginning of January, the Moroccan head of state agreed to meet three of the most senior members of the self-styled Saharan Arab Democratic Republic. Diplomatic observers argued that the King's concession appeared to lay the foundations for direct negotiations between the two parties.

However, before the meeting King Hassan insisted that he was prepared "to discuss but not to negotiate" with the Saharans. Nonetheless the meeting forced a change of language on senior Moroccan officials, for whom Polisario members were henceforth to be known as "wayward subjects" rather than "mercenaries of Algeria".

Polisario was not invited to attend the Maghreb summit which brought together the heads of state of Algeria, Libya, Mauritania, Morocco and Tunisia in Marrakesh in February, but the Front's subsequent acceptance of the Spanish census of 1974 as the basis for the future referendum suggested the peace momentum was being maintained. That census estimated the population to be just short of 74,000, although it is well known that many Saharans had left the territory.

Despite the absence of a second round of talks, Polisario's offer to free 200 of the estimated 2,000 Moroccan prisoners, made during Mr Pérez de Cuéllar's visit to the region last June, further encouraged an optimistic reading of the situation. Morocco, however, told the Red Cross and the Italians, who had played an important behind-the-scenes role, that they would refuse to take the prisoners back on the grounds that "this did not form part of the UN peace proposals".

Three months later, King Hassan made clear before a state visit to Madrid, that he would not "negotiate with his own subjects" because there is "nothing I could give them." During the visit, King Juan Carlos reminded King Hassan of Spain's strong desire to see a

referendum take place. However, the latest round of fighting suggests that Mr Pérez de Cuéllar faces an uphill task.

While the King can afford to sit and wait, matters are somewhat more difficult for his adversaries.

Disagreement about what tactics to follow surfaced at the Front's congress in April and became public this summer when one of Polisario's prominent figures, Mr Omar Hadrami, switched his allegiance to King Hassan. Some of the Front's leaders believe that Polisario has already made too many concessions to the King.

A further difficulty lies in Algeria's insistence on upholding the letter which the Arab Maghreb Union signed last February, forbidding any party to the treaty from tolerating activities detrimental to the security of another. The risk that a serious Polisario offensive against Morocco may result in a deterioration in relations between Algiers and Rabat is, however, very real.

Anger grows over Taiwan's polluted success story

Alison Maitland reports on the high cost to the environment of a damaging industrial policy

MORE than 30 years of undiluted industrial growth have landed Taiwan with a monumental pollution problem which has triggered social unrest and raised fears of a Bhopal-type disaster.

The Taiwanese are enjoying the fruits of an export-driven success story which has seen gross national product grow at a real average rate of 9 per cent for the past 27 years and lifted per capita income to more than $7,000.

But a high price has been paid in the form of dying rivers, disappearing forests, city smog, rotting garbage dumps and unregulated toxic waste.

The problems are exacerbated by Taiwan's population density – the highest of any nation in the world apart from Bangladesh – with 20m people crowded onto a largely mountainous island the size of The Netherlands.

In the past 10 years, the number of factories has more than doubled to nearly 90,000, and the number of cars and motorcycles has more than tripled, with the ten millionth vehicle due to be registered in the next few weeks. On one day last month the air in the Taipei industrial suburb of Sanchung registered 188 on the Pollution Standard Index. That compares with 160 to 170 on a bad day 25 years ago in smoggy Los Angeles.

Among Taiwan's most thriving industries are petro-chemicals, plastics, pesticides and leather tanning, all of which use hazardous substances, and

'The situation is so bad the environment protection body requires the teeth of a sabre-toothed tiger'

there has been little control over how the country's predominantly small and medium-sized businesses deal with waste from these processes.

Less than 1 per cent of human excrement receives even primary sewage treatment, so that water contamination is widespread and Taiwan has the highest rate of hepatitis infection in the world.

Of the 17 rivers on the populous west side of Taiwan, 14 are polluted, five of them seriously. Household garbage is dumped in open landfills. The dangers of pursuing current economic growth targets without radical action on the environment were outlined starkly in a report published earlier this year by a group of Taiwanese and foreign academics.

"It is hard to imagine making it to the 21st century without a series of environmentally damaging accidents and discoveries that improper waste disposal has allowed toxification of the environment," said the report, Taiwan 2000. "Some of these may take awful forms that cause public outrage, such as explosions or massive poisonings that could easily have been prevented."

The report by the respected Academia Sinica group has had only a small circulation, notably in the Western business community, where it has caused deep concern.

But the Taiwanese at large have also been growing angrier as they watch the deterioration of the quality of life. Opinion polls show that the environment has become one of the top three preoccupations, along with rising crime and traffic congestion. The past year has witnessed a series of demonstrations. The latest affects an ICI plastics subsidiary, Kaohsiung Monomer Company, which has been closed for the past month because of a dispute with locals over waste acid from the plant, dumped by a contractor near the coast instead of the permitted 25 miles out to sea.

Last October, protesters shut down 18 petro-chemical plants in the southern industrial town of Lin Yuan for about a week, claiming that waste water had polluted their fishing grounds. The protestors were later paid NT$1.27bn ($32m) in compensation, and in November another dispute was settled, this time by the Taipower utility, with a hefty payout.

In June this year, a demonstration at the state-run China Petroleum Corporation's refinery in Lin Yuan turned nasty, with scores of riot police and protesters injured, after offers of direct compensation were refused and a clean-up operation proposed instead.

Some demonstrators have been accused of wanting to line their own pockets, and handouts are now being discouraged. But the Government is taking the pollution problem seriously, centralising its response through the Environmental Protection Administration, established in August 1987.

Sporting plush offices in Taipei and a catchy blue, white and green logo, the EPA says $40bn will be spent by the Government and the private sector by the year 2000 on cleaning up

'It is hard to imagine making it to the 21st century without a series of accidents damaging the environment'

the environment. The EPA is tackling an impressive list of projects, from research and public education to pollution control and waste management. A total of 60 new and amended laws and regulations are proposed or under way.

Dr Eugene Chien, head of the EPA, dismisses the Taiwan 2000 report as out of date. The pressure on polluting factories is mounting, he says: some 650 extra enforcement officers started work in September, bringing the total to 900, and fines imposed this year are expected to be double last year's at about $40m.

Not everybody is convinced. Some believe the Taiwan 2000 report is out of date because things have got worse, not better.

While admiring Dr Chien's efforts, they are gloomy about his chances of success against the vested interests of big business on the one hand, and the unregulated nature of small family business on the other.

"The EPA has teeth, but they're the teeth of an 18-month-old baby, and right now the problems require the teeth of a sabre-toothed tiger," said Mr Ronald Hesler, east Asia manager of the environmentally involved Kaldair International, a BP group member.

Tough decisions will not be taken until after elections in December in any case. But if Taiwan waits too long, "it could become a dumping ground for technologies that are too dangerous to carry out in other countries," he says. "The green revolution elsewhere in the world would create revulsion for a country that allows that to happen."

Peking students get first taste of military training

By Peter Ellingsen in Peking

A GREATLY reduced intake of students yesterday began work at China's most prestigious and rebellious college, Peking University, where their studies have been amended to include military training.

The 730 freshmen, half the usual number, will have their first tertiary education experience with the military at the Shijiazhoang Army Academy in rural Hebei Province south of the capital.

"New students will find everything waiting for them - classrooms, dining halls, dormitories, washrooms and desks and chairs have all been newly painted," a gushing commentary in the official China Daily, explained today.

The report said students would study political, military and cultural texts under 60 teachers, including 26 regimental commanders. They will spend a third of their time on military training.

The year of military training in "patriotic edncation", claimed by authorities to be a popular and character build, is seen by many as an attempt to discipline the university for its role in leading the supressed pro-democracy movement. First year enrolments have been cut from 2,000 to less than 800, a quarter of which are already Government employees.

The start of the academic year at 'Beida', as the elite college is known, was delayed for six weeks, apparently to prevent students organising protests to coincide with October 1, China's National Day, and to allow time for the university's teaching staff to be given intensive courses in Marxist politics.

Authorities have gone out of their way to portray the army indoctrination as a benign and long planned step, unconnected to student-led demonstrations that led to the June military crackdown in which more than 1,000 civilians died.

According to an official of the State Education Commission, university military and political education has been in place for years, but not fully implemented up to now because long training courses were "beyond the capacity of the army."

The official justified the action by saying that, as an elite group, Beida graduates should be "fit for socialist construction (and have) clear political orientation."

Human rights group criticises Middle-East

By Tony Walker in Cairo

HUMAN RIGHTS abuses throughont the Middle East have continued at a deplorable level this year with an all-too-frequent incidence of torture, mass arrests, detention without trial and other violations, according to the Arab Organisation of Human Rights.

The Cairo-based group (AOHR) recently launched a campaign for the release of what are estimated to be more than 20,000 prisoners of conscience in Arab countries. The organisation is appealing for international assistance in efforts to free political detainees.

The formation of the AOHR, and the location of its headquarters in an Arab capital, coincides with a stirring throughont the Middle East – a region not noted for its respect for individual rights. But Arab human rights activists would be the first to admit that the movement is extremely fragile.

Mr Mohammad Fayek, the AOHR's secretary general, said Egypt was subjected to pressures from other Arab states for allowing the AOHR in its capital, and the organisation has been discouraged from holding its meetings in Cairo.

Band Aid – Do they know it's finished?

Akwe Amosu and Julian Ozanne on the mixed success of the famine relief campaign for Ethiopia

AFTER Band Aid, nothing would ever be the same.

The multi-million dollar fund-raising effort which galvanised public support in 1984 had given new meaning to the concept of a global conscience. The future – for donor and recipient – would be different.

Almost five years later, all the money has been allocated and the Band Aid machine has begun to wind down.

Band Aid was born in the aftermath of the devastating famine which swept through Ethiopia, Sudan and the rest of the Sahel five years ago. Mr Bob Geldof, an Irish rock star with a few hits to his name, was moved to action. He later said he could not sit and watch people "dying on my TV".

Mr Geldof raised $10m in less than six months with a troupe of pop stars singing "Do they know its Christmas?". Another $80m was raised six months later with Live Aid, the 16-hour transatlantic rock concert.

A rash of other events – Fashion Aid, School Aid and Sport Aid (in its first incarnation) – brought the total to $140m.

It was an act of unprecedented generosity, bridging the global north-south divide between the rich nations and developing world. But Band Aid was more than raising money. Many rejoiced at the sight of "St Bob" – one minute in Addis Ababa, the next in Brussels – criticising diplomats and attacking bureaucracy. Perhaps a political change could be also be achieved.

Did it all succeed? Mr Geldof, who got Band Aid off the ground, is sure it did.

The record, however, is mixed: there is a constant threat of a repeat of the fatal Sahelian famine and the organisation was responsible for both successful and disastrous development projects. Mr Geldof is also conscious that there has been little change in the political realities in Africa which lead to famine.

Band Aid set out to save as many lives as possible but funds were also allocated for long-term development to prevent a repeat catastrophe.

The plan was for minimum cost effort for maximum gain.

Mr Geldof was determined Band Aid would be a temporary organisation responding to a crisis rather than a permanent fund-raising institution.

Father Angus Finncane of the Irish charity Concern, says there can be no doubt Band Aid saved thousands of lives. Other relief workers agree. Mr Anthony Nedley, Oxfam's National Relief Co-ordinator in Sudan was working on a relief monitoring project in Juba in 1986 and was short of funds. "Band Aid leapt in straight away. They can move faster than any other donor in getting money to an emergency," he said.

Band Aid purchased relief goods; paid for their shipment to Ethiopia and Sudan; it purchased, fuelled and maintained fleets of trucks in both countries and funded other agencies making airlifts.

In total, $67.5m has been used for emergency expenditure since early 1985. Ethiopia and received $9.4m and Sudan $5.2m.

Many aid workers, however, found Band Aid's inexperience a frustration. An aid worker from an agency which was one of Band Aid's largest beneficiaries recalls painful meetings sitting on the floor in ramshackle offices and being "preached at about your own business" by people with little experience of famine relief.

In turn, Band Aid was critical of the huge sums of money spent by aid agencies on personnel and administration.

Mr Tony Vaux of Oxfam, the UK aid agency, believes problems may have been caused by Band Aid's refusal to have a formal administrative capacity. In the early days, Geldof's organisation was reluctant to give funds and wanted to buy and distribute the goods itself. But Band Aid was clogging up its own system with purchasing deals it did not have the administration to control.

If Band Aid was forced to soften its position on this issue, other agencies also learned something, Mr Vaux said: "Maybe Band Aid has shown us that a lot can be done without admin costs – they did make tremendous use of free donations in a way that agencies like Oxfam don't any more.

"But you need a Bob Geldof to attract the donations in a first place," he added.

Ethiopia: a father huddles with his children at the Korem aid camp, where they and 18,000 others survived on rations of wheat

Band Aid's change of emphasis to long-term aid emerged from July 1985, after the Live Aid concert. The trustees wanted to do something new with the money, to do something different that the other charities could not afford to do: make people aware that individuals could make an impact.

By October a committee of experts had been formed under the chairmanship of Brian Walker, of the International Institute of Environment and Development, to assess the applications for aid pouring in. Field staff were also recruited.

The projects had to take risks where others could not, or would not. The beneficiaries would have to be the poorest of the poor who could co-design the project along with the agency offering it.

The benefits also had to be sustainable. Favoured projects strengthened "coping mechanisms" – the way those on the ground dealt with droughts, floods, and other problems.

The committee – which some saw as too heavily weighted with academics, rather than aid practitioners – met roughly once a month and by the end of last year had assessed and discussed more than 1,000 projects. It recommended funding just 188.

The projects funded included sinking wells, making dams, starting market gardens and supporting agro-forestry projects to protect oases. Soil conservation, immunisation, truck repair workshops, bee-keeping and school text book-making have all been backed.

Training programmes have been approved in a wide range of fields – from use of water pumps to midwifery. Research to make animal fodder, for developing an anti-malarial agent or to survey nutritional standards has also heen funded.

Band Aid's development project work in Sudan was controversial and some aid agencies resented its 'holier-than-thou' attitude.

Some aid workers criticised Band Aid's unwillingness to fund administrative costs outside Africa because smaller agencies without strong financial support were not able to apply. Some of them also felt the stress on minimal costs was dangerous.

Many projects presented proposals which hid administrative costs in the budget, making it certain that corners would be cut later.

Each project which had been allocated funds had to go through a laborious process of assessment, with the London-based selection committee vetting proposals for wastage and excessive costs. Some relief work was held up because applicants could not meet Band Aid's demands for information.

Mr Iain Macdonald, Sudan's director of Euro-Action Accord 1985-1988, said: "They concentrated too much on not wasting money and missed a lot of high-risk but high-need projects. It got to the point that to get money out of them you had to know someone inside or spend months gathering detailed information and going through their process."

"Band Aid contributed to the myth that a little bit of money could solve the problem. Any approach which raises hope in the short run and is based on emotion is ultimately non-sustainable. Geldof aroused a whole new section of the population. Like a pied piper, he lead them off into the desert and left them there," he said.

Paradoxically, Band Aid was also criticised for its apparent determination to disburse funds too quickly.

Ms Penny Jenden, Band Aid's director overseeing the allocation of the last few dollars, regrets it is all finally coming to an end, even though many months more distribution and monitoring remain.

To keep costs low, Band Aid delayed setting up a Khartoum office for two years and ran a one-man show out of a bedroom in a small hotel.

In Sudan, Oxfam co-ordinator Mr Anthony Nedley, said: "They employed human dynamos with no secretarial support who ran around the country promising the earth but who couldn't deliver because they had no logistics back up. It was far too temporary, makeshift and lacking in structure to be really effective."

Inevitably money was ill-spent. The Band Aid representatives were continually swamped with proposals they could not properly vet, but they claim it has retrieved misappropriated funds.

One area where the Geldof team broke new ground was in its encouragement of local NGO committees in the countries it was funding projects – a kind of decentralisation.

The committees are Band Aid's eyes and ears on the ground. Of the four set up, those in Niger and Chad have effectively collapsed but those in Burkina and Mali are operating successfully. Now Band Aid has given money to these last two so they can fund projects directly, rather than sending their recommendations to London.

African NGOs are closely involved in the aid policies of the donor countries, sometimes to the chagrin of African politicians as funds are channelled via local NGOs rather than the governments. The change represents a potential shake-up in the aid industry.

A criticism levelled at Band Aid was that its view of progress is too narrow. Mr Vaux said: "The image one retains is of Bob Geldof standing on a dam and saying 'this is progress'. It isn't. The dam in Eritrea, for instance, is in a war area, and has not been usable."

The political problems remain. Hopes that Band Aid was so influential it might induce political changes in famine areas were not realised.

At the British end, Mr Geldof is impatient with the suggestion made by one member of the aid industry that the huge generosity of the public may have given the UK Government an excuse to reduce its own official aid commitments – if not in real terms, then at least as a proportion of GNP.

Bob Geldof: created Band Aid to wage war on famine

Mr Geldof argues that if it had not been for Band Aid's appearance, the decline in Government commitment might have been even greater. The public's response was clear evidence that voters saw aid and development as serious issues.

Band Aid does not believe it has a mandate to make grand statements about the politics of Africa's crisis. But during his tours of drought-affected areas, Mr Geldof made no secret of his anger at politicians. He is still angry.

The "endless militarisation of the continent," must stop, he says. But he despairs of what he describes as the battle in Ethiopia between "two second-hand European ideologies, capitalism and socialism."

Mr Geldof thinks the debate about the level of British aid is irrelevant, it is more a global problem. Only the Scandinavian countries pay the UN-recommended aid minimum.

"There should be a moratorium on Africa's foreign debt." He believes: "It is an irrelevance to the global economy; but it's crippling them."

In the end, any assessment of Band Aid's operation is likely to be inconclusive. On the relief front, Band Aid saved lives as it intended. But in Ethiopia despite all aid efforts and good rains in 1988, the country is still in crisis.

"They are heading for a famine now as surely as they were in 1983," says Mr Vaux. "It will only take one bad year and Ethiopia will be back where Band Aid started." The 1989 rains have been disastrous with total crop failure in Eritrea and eastern Tigre, where the situation is now worse than 1984-85.

The World Food Programme estimates 221,000 tonnes of food is needed but there are only 13,000 tonnes in store. Ironically, the good rains last year lulled the donor community into a false sense of security. This is the first time the aid pipeline has been empty since 1985.

In the final accounting, Band Aid has spent some 50 per cent of its funds on relief.

Band Aid has something more tangible to show with the other 50 per cent. One close observer speculates that up to 30 per cent of the development projects they funded are worth repeating. Others are bound to prove failures, a great many will have run into the sands for reasons outside project organisers' control.

But the less tangible developments are more interesting. Band Aid's moves to get African agencies more closely involved in the development of their own backyard, as in Burkina and Mali, are in time with the times.

Ms Penny Jenden believes Band Aid's freedom from political interests has made it possible to support that process.

Band Aid has commissioned its own evaluation of its work to stimulate a debate about what has happened in aid terms over the past five years in the hope that it will trigger off a political discussion within Africa about the lessons. Results are expected in 1990.

Band Aid can afford to be honest, it believes, because its life is limited – whereas other aid agencies need to maintain their reputations, and may not feel able to admit it when a serious mistake is made.

The organisation will have disappeared by the time the 18-month evaluation by World Education and the Pan-African Development Institute in Douala, Cameroon, is completed.

Many people are wondering what happened to all the new donors Band Aid tapped. Mr Geldof hopes people who embraced the project are more conscious of development issues.

The north is finally being forced to take notice, he says, now that Africa has a powerful bargaining counter – the fate of its environment.

Mental taboos challenged in the classroom

By Julian Ozanne in Khartoum

AT THE back of a dimly lit classroom a thin, scrawny boy scratches his left ear with his left foot. A few desks away from him a ragged blind girl sits huddled up, her arms constantly raised protectively above her head. "Don't hit me, don't hit me," she murmurs unconsciously from time to time.

Both of these children are mentally ill and they have been brutally tormented by their parents.

Manhal spent seven of his nine years locked up behind his parents house in a cupboard living in his own excrement. His only playmate was a dog. In many ways his behaviour is more canine than human.

Munira was beaten and abused by her superstitious parents who believed they could chase the devil out of her. She will probably always bear the physical and psychological scars of her cruel childhood.

In Sudanese society mental illness is still a hidden taboo. Parents, worried about the marriage prospects of their other children, hide away their handicapped offspring and refuse to publically acknowledge their existence.

The stories of these two children are mirrored, although less horrifically, in the experiences of 80 other kids who have been gathered together by a Sudanese doctor into a school for the mentally and physically handicapped, the deaf, dumb and blind.

Sakina, as the school is named, has existed uneasily for four years in six ramshackle classrooms in the dusty Khartoum suburb of Omdurman.

The school's sole source of income has been from the money made by Dr Faisal Mohamed Mekki's private clinic and sporadic donations.

Without significant funding often the school teetered on the brink of closure. Then last year Band Aid offered $110,000 to build a vocational training centre, five extra classrooms and buy two buses to bring the kids to school.

When Dr Mekki returned from studying in Yugoslavia he tried to get the Government interested in starting a school which would cater for these dispossessed and ignored children. Twice he was turned down.

So he decided to set it up himself with savings and the little money he earns as a gynaecologist.

Sakina provides the children with expert medical care and teaches them how to read and write and take care of their personal hygiene.

But Mekki always harboured dreams of building a permanent structure where he could take more children and teach them basic skills, like carpentry and and sewing, to help them be self sufficient in adult life. Funding has always been the problem.

Once he was offered substantial finance from an Islamic group if he would accept only Moslem children. He refused.

"How could I go home to my own children knowing I had turned away someone in need of love and care simply because he was the wrong race or religion," he said.

Then Band Aid stepped in.

According to Band Aid's Sudan representative, Mr David Deng, it was the ideal project.

"It was conceived by the local community, it benefited the poor and displaced, it helped people to be independent. And it was crying out for funds. That fitted all our criteria for a worthy project."

Agricultural reform unlocks Western coffers

REFORMS in agricultural marketing have brought an influx of Western aid to Ethiopia and the Marxist government now plans to legalise renting of private houses in another step towards liberalising the economy, foreign sources said, Reuter reports from Addis Ababa.

A World Bank team will visit Ethiopia this month to evaluate the farming reforms implemented in January 1988, diplomats said.

The reforms raised producer prices paid by the state-run Agricultural Marketing Corporation (AMC) by an average of nine per cent and allowed peasant farmers to sell more surplus grain to private traders.

The moves unlocked several hundred million dollars of aid for peasant farmers which the World Bank, European Community (EC), Canada and Italy their were holding up pending reform.

Agricultural experts say the outlook for the 1988-89 harvest, which is just starting, is good in most of Ethiopia. The AMC's share of the grain trade fell to 224,000 tonnes last year from 300,000 tonnes in 1987-88.

But the northern provinces of Eritrea and Tigré are suffering their third severe drought in five years and the UN World Food Programme estimates that at least 1.7m people there will need food aid next year to avoid starvation.

During the November 1988-July 1989 crop-buying season the state's share of commercial grain purchases fell sharply, foreign economists said.

Mr James Moran, an EC agricultural adviser, said: "The number of private traders operating on the market went up by a third to just over 2,000."

Grain distribution from surplus to deficit areas improved and retail price increases were moderate, the sources said.

"Prices in the main commercial markets were fairly stable and the quantities available on the open market were substantially up on last year," Mr Moran said.

WORLD TRADE NEWS

US set to impose dumping duties on telephone groups

By Nancy Dunne in Washington

THE US Commerce Department is ready to impose high dumping duties against companies in Japan and Taiwan accused of selling small business telephona systems and subassemblies at less than fair value.

A dumping finding indicates that a product is being sold in the US at less than the cost of production or priced lower than when sold at home or in third country-markets. This department investigation was initiated last December after a complaint was filed by the American Telephone and Telegraph and Comdial.

According to a Department analyst, the Japanese companies – Toshiba and Matsushita – refused to co-operate in the investigation by supplying the domestic price lists the department requested. Evidence, offered by AT&T and Comdial was then accepted, and dumping margins were found to be 136.77 per cent for Toshiba and 178.93 per cent for Matsushita.

Taiwan Nitsuko at first co-operated with the investigation but, when presented with additional information filed by AT&T implying that its exports were being dumped through its Japanese parent company, Japan Nitsuko, it withdrew its co-operation. The department then put its dumping margin at 129.73 per cent.

Sun Moon Star of Taiwan offered evidence of its pricing and was cleared of dumping.

Anti-dumping duties will be imposed if the US International Trade Commission determines that the imports are injuring the domestic industry. It has 45 days to issue its ruling.

Meanwhile, Senator Jeff Bingaman, a New Mexican Democrat and member of the Armed Services Committee has criticised the French Government for reportedly approving the transfer of rocket technology to Brazil.

According to Senator Bingaman, the technology to be licensed to Brazil, Viking Engine technology with liquid propellant propulsion and 65 to 76 tonne thrust, is "clearly useful" for ballistic missiles and a violation of the Missile Technology Control Regime, signed by both the US and France.

Brazilian officials say the technology is to be used in the country's fledgling space programme. It was developing the technology domestically, but the effort had to be abandoned for reasons of cost.

French officials deny any violation of the MTCR and insist that the technology will have safeguards to insure that is will be only employed for peaceful uses.

"Whila Brazil's intentions may be peaceful, it is not intentions, but rather capabilities that count with Brazil's neighbours," the Senator said. "The proposed French transfer is exactly the kind of transaction that the MTCR was intended to halt."

Caught np in the controversy are pending Brazilian contracts for two satellites and two separate launches. Spar of Canada, Hughes of the US and Matra of France are competing for tha satellite sales , and Hughes is reportedly concerned that the controversy will boost Matra's chances.

Iran meets companies over plant

IRAN is talking with European and South Korean companies about completing a giant war-damaged petrochemical plant abandoned by the Japanese partners, Mr Gholamreza Aqazadeh, the Iranian oil minister, said yesterday, Reuter reports from Nicosia.

Tehran Radio quoted Mr Aqazadeh as saying a contract was signed with a Dutch firm to assess damage to the project in which Iran and a Japanese consortium lod by Mitsui have invested Y600bn ($4.2bn) since 1971.

Talks were underway with European and South Korean companies on finishing tbe project at Bandar Khomeini, Mr Aqazadeh said. The radio did not nama the companies involved.

After lengthy talks, Mitsui reached agreement with Iran's National Petrochemical Company on Sunday to pull out of the Iran-Japan Petrochemical Company, a 50-50 joint venture.

Aqazadeh confirmed reports from Mitsui that the Japanese aide had agreed to pay Iran Y130bn ($900m) in compensation.

Mitsui considered the project, which was bombed several times by Iraqi jets during the Gulf War, no longer viable. The plant was 85 per cent complete when the war broke out in 1980.

Expel Gatt offenders, says former official

By Peter Montagnon, World Trade Editor

COUNTRIES which refuse to accept new obligations under the Uruguay Round of multilateral trada liberalisation talks should be expelled from the General Agreement on Tariffs and Trade (Gatt), a former top US trade official said yesterday.

The Uruguay Round of free trade talks was the only way to prevent the erosion of the multilateral trading system through regionalism, unilateralism, and bilateralism or managed trade, according to Mr Michael Samnels, the US Ambassador to Gatt under the Reagan Administration.

"If, in the end, some countries are unable to accept the new obligation necessary to a credible multilateral system, they should withdraw from the agreement.

"If they won't do so voluntarily, the other conntries should bring about a change in membership," he told the Royal Institute of International Affairs.

"The multilateral system can still be saved. What may emerge will be increased rights and increased obligations.

Those countries unwilling or unable to accept the new obligations should be allowed to withdraw and should be governed by other agreements yet to be negotiated.

"In fact, the new system may encompass fewer countries."

Mr Samuels, who is now a senior executive with Hill and Knowlton, cited India as one country which might fall into this category.

He said, hovere, such countries were in a minority in the developing world today.

Ha acknowledged the role of US unilateralism in eroding confidence in the multilateral trading system, but he said that Europe, with its agricultural policy, and Japan and many developing countries were also guilty.

Tha best way that the West could help Hungary would be for the European Community to abandon its common agricultural policy, Mr Samuels said.

Managed trade was, meanwhile, a particular danger. It would bring trade contraction, recession and threaten world peace, he said.

Hills speaks out on bid-rigging

By Robert Thomson in Tokyo

MRS Carla Hills, the US Trade Representative, yesterday urged the Japanese government to enforce anti-monopoly laws against construction companies involved in cartels and bid-rigging, Japanese officials said.

The construction cartel issue has been highlighted by a US Justice Department action seeking damages from Japanese construction companies which allegedly rigged bids in projects at the US naval facility at Yokosuka, near Tokyo, over a three year period.

In a meeting with Mr Shozo Harada, the Construction Minister, Mrs Hills apparently requested that further opportunities be made available for foreign construction companies in the Japanese market, and asked the minister to ensure the end of the construction industry cartels.

Later, the US Trade Representative met with Mr Taro Nakayama, Japan's Foreign Minister, and the two reviewed progress in the Structural Impedimants Initiative (SII) talks, which recently began in Tokyo.

Mr Nakayama said that Japan was concerned by the apparent strength of a movement in the US towards managed trade, and told Mrs Hills that he respected her advocacy against managed trade.

Mrs Hills said that the US does not want to stop Japan's attempts to develop its own satellites, but does oppose restrictions on procurement of foreign satellites in an attempt to protect local producers. She also requested that Japan continue to import US supercomputers.

Hills: call to end Japanese construction industry cartels

Aermacchi, Lockheed in trainer pact

By Sari Gilber in Rome

ITALY'S largest private aircraft company, Aermacchi, and Lockheed have agreed to work together to seek the contract for a new training plane for the US Air Force.

The agreement, signed this week in Milan, reflects Lockheed's choice of the Aermacchi MB-339 jet as a perfect candidate for the US Air Force's PATS (primary aircraft training system) programme, planned for the mid-1990s.

Aermacchi officials in Varese declined to put a price on the joint venture, bnt pointed out that the US Air Force is planning to purchase at least 550 aircraft. If the programme is extended to the US Navy, the nnmber of planes would rise to 900.

The Aermacchi MB-339 is a small, sophisticated and highly manoeuvrable jet which is already used by the Italian airforce.

The US air force has not yet made a final decision on the characteristics of its training plane. Bnt Lockheed is convinced it will be a jet. This week's agreement provides for joint promotion efforts over the next five years, and if the MB-339 wins the contract commits Aermacchi to provide Lockheed with licences for construction in the US.

Turkey takes a step into line with Europe

Jim Bodgener reports on Ankara's new customs regime

ANTI-DUMPING regulations which have just come into force have capped a series of sweeping modifications to Turkey's customs regime.

While some sectors of Turkish industry are complaining about exposure to outside competition, officials adamantly maintain the revision is part of structural adjustment, and adaptation in the light of Turkey's EC full membership application.

The anti-dumping regulations are modelled on the EC regime, and have been under study since 1986. But some manufacturers - particularly in import-substitution industries established in the closed, command economic order of the 1960s and 1970s – complain they are small consolation for lost protection.

Officials admit that the import dnty revisions made it necessary the sanctions should be introdnced earlier than planned. Effective from October 1, they provide that a special anti-dumping tax and compensatory levy will be imposed for specific cases on a retroactive basis – for not more than 90 days – should dumping be proven.

Comecon and Far East countries are considered to be the worst offenders. The anti-dumping sanctions are particularly targeted at pharmaceuticals, and especially antibiotics from Taiwan and China.

Progress towards a full customs union as envisaged in Turkey's 1963 EC Association agreement will favour Turkey's goal of early negotiations for full EC mambership, repeated by Mr Martin Bangemann, deputy president of the EC Commission, on a recent visit to Ankara.

However, he also reinforced the statement by the president of the Commission, Mr Jacques Delors, that the Community would have to postpone all negotiations with membership applicants until after 1992. An opinion is expected to be delivered by the Commission on Turkey's application before the end of 1989, probably in late November.

On a broad front, substantial levels of protection still remain for Turkish industry according to senior officials of the Treasury and Foreign Trade undersecretariat. Even after the tariff reductions, finished goods are protected by not less than 50 per cent, taking into account surviving surcharges and levies, such as for development funds, intermediate goods by between 10-30 per cent.

Tha remaining harriers should be more than enough for manufacturers who had pegged their prices unrealistically jnst below those of imported goods for far too long, such as white goods and motor vehicles, say the officials. Before the measures, some cars, for example, were protected by almost 250 per cent tariff barriers.

The private sector industrialists' objections hold even less water considering that, in effect, the measures have exposed the state sector – state economic enterprises (SEEs) produce much of industry'a domestic raw materials – to foreign competition. Why should the governmant favour the private more than the public sector, ask the officials.

There has been very little complaint from the iron and steel industries, for example. "They have more than 50 per cent protection, and they're still bitching," says a senior official.

Industry, however, retorts that much of its inputs are indigenonsly snpplied – and that in cars, for example, where local content is as high as 90 per cent, this implies forcing components and semi-finished goods producers to cut back on their tariffs, an industry-wide coercion beyond tha Association of Antomotiva Manufacturers alone.

There is still demand for cars, say the officials – hnt prices are out of reach, kept up by limited prodnction. Moreover, the car industry should not complain about costs of production – most companies have been producing the same car for years, and have no research and development costs, or production line amortisation payments to meet. High protection has sapped industry's incentive to upgrade technology and quality.

Critics say the import tariff revisions were to a greater or lesser degree politically motivated, to shore up the flagging electoral support for the ruling Motherland Party (ANAP) by giving consumers more choice. *Domestic manufactures* will still be cheaper than imported goods for cash strapped Turkish consumers, and lower costs for industry will help to bring down the high inflation of around 75 per cent in the year to the end of September, counter the government's supporters.

The inflation eating away at middle to lower income groups is primarily responsible for ANAP's declina in opinion polls to a miserable 13.5 per cent in a recent Gallup poll, two weeks before tha selection process starts for a replacement for President Kenan Evren when he steps down in November at the end of a seven-year term. The prime minister, Mr Turgut Ozal, is widely expected to be a candidate, but so far he has not made his intentions clear.

Split threatens Menem's trade union power-base

By Gary Mead in Buenos Aires

AN internal row in Argentina's trades union organisation, the General Confederation of Labour (CGT), broke out on Wednesday and left it divided into two factions.

The split in President Carlos Menem's power-base could hinder his efforts to implement an urgent overhaul of Argentina's flagging economy.

The CGT row goes back many months, and centres on a battle for the leadership of the organisation. Until Wednesday evening Mr Saul Ubaldini held the post of CGT Secretary General. But after a two-day congress, attended by more than 1,500 union delegates and marred by street fighting on Tuesday, he lost the post to Mr Guerino Andreoni, head of the shop-workers' union and representing the pro-Menem unions.

Before a vote to choose the CGT's leadership, Mr Ubaldini had all the delegates backing him walk out, claiming the congress had been rigged by the Ministry of Labour. The allegation is that the ministry accredited extra delegates to unions opposing Mr Ubaldini. His supporters claim the vote was illegitimate, although the balance of forces before the vote tended to show that he would have in any case lost.

Mr Ubaldini had the backing of the metal-workers' leader, Mr Lorenzo Miguel, but even that was insufficient to prevent the deposition of the man who led 13 general strikes under the previous government, of Mr Raúl Alfonsín.

Mr Ubaldini's removal had been sought since mid-May, when Mr Menem won the presidency for the Peronist party. Although Mr Ubaldini declared his complete support for Mr Menem, other union leaders close to Mr Menem – in particular Mr Luis Barrionuevo – have since demanded that Mr Ubaldini leave. Mr Menem offered Mr Ubaldini a post in a foreign embassy, but was refused.

The CGT split will be difficult to patch over, as the two sides are fairly evenly matched in numbers. Moreover, Mr Menem now faces a divided trades union organisation at just the moment he has called for national unity to back his economic strategy.

The Ubaldini faction may now feel itself freer to oppose plans to privatise many state-owned industries, and also to renew pressure on the three-month-old government for wage increases to recover ground lost during the country's recent hyper-inflationary bout.

London fears over US tax proposals

By Peter Riddell, US Editor, in Washington

THE British Government has stepped up pressure in Washington over a series of tax and related proposals being considered by Congress which the UK and other European countries regard as likely to discourage foreign investment in the US.

The fate of the proposals is uncertain since three specifically affecting the tax position of foreign investors, contained in the House of Representatives version, have been dropped in the Senate Finance Committee version. The only one retained in both would impose increased reporting requirements on overseas investors. However, the tax proposals could be revived in a joint Senate/House conference.

Mr Nigel Lawson, the British Chancellor of the Exchequer, raised the overseas objections during a meeting last month with Mr Nicholas Brady, the US Treasury Secretary. Now Sir Antony Acland, the British Ambassador in Washington, has written to the chairmen of the two tax-writing committees, Senator Lloyd Bentsen of Senate Finance and Mr Dan Rostenkowski of House Ways and Means.

The tax proposals involve limitations on the deductibility of interest paid to related parties (the practice known as earnings stripping), the taxation of gains to foreigners on sale of US company stock where the non-resident owns more than 10 per cent, and the capitalisation of foreign research expenditure.

The British government has argued that the proposed change on deductibility of interest would override the existing double tax convention between the US and the UK which applies what is known as an arms-length standard on the amount of interest allowable against tax. Limits to be imposed are regarded as discriminatory against US companies owned by foreigners which anyway pay tax in their home country. The objectors argue that there are already provisions to disallow interest on loans which are really equity.

New Panama Assembly names Noriega as leader

By Tim Coone in Managua

AN Assembly of People's Power was installed in Panama on Wednesday, and immediately proclaimed the country's military leader General Manuel Antonio Noriega as its co-ordinator and "leader of the National Revolution Process".

The 511 district representatives in the new Assembly have been appointed by the ruling Revolutionary Democratic Party (PRD), controlled in turn by Gen Noriega. The Assembly replaces the elected legislative body, the National Assembly, dissolved last month when a new provisional government was sworn in.

It will have a consultative role to the executive in the drafting of new decrees "to protect the most in need" and of emergency "war measures" to control dissent and opposition in the wake of last week's coup attempt.

In addressing the Assembly, Gen Noriega said legislation must be implemented to guarantee minimum wages to cover basic food, housing and health needs. "The oligarchy is trembling," he said referring to businessmen and politicians of the opposition.

Seaga counts the cost of Jamaican reform

Economic restructuring turned out to be political suicide, reports **Canute James**

MR Edward Seaga, former prime minister and finance minister of Jamaica, regards his administration's achievements with pride and bitterness.

"We are the success story of the developing world," be says of the economic policies which he pursued in eight years in office. "We bit the bullet. But in doing this we courted political suicide." That Mr Seaga's conservative Jamaica Labour Party was soundly defeated in the February election is widely held in the Caribbean to have been partly the political price of his attempt to restructure the Jamaican economy.

Jamaica's structural adjustment programme, started in 1983, is the most advanced in the Caribbean. Political leaders in other countries where similar programmes are being implemented – mainly Trinidad and Tobago and Guyana – are likely to be slightly wary of the political cost.

The programme has been given significant endorsement. Mr Seymour Mullings, Finance Minister in the social democrat People's National Party administration which took office in February, says the new government's economic programme will be based on "the continuation of stabilisation and structural adjustment".

The economy was hit in the 1970s by reduced demand for bauxite, the main foreign-exchange earner, and by increased oil prices. Foreign exchange reserves were wiped out, the balance of payments deficit grew, and imports were restricted, leading to shortages and a vibrant parallel market in foreign currency. One constant in the fiscal accounts was a widening deficit.

Backed by a series of credit agreements with the International Monetary Fund and the World Bank, Mr Seaga implemented measures intended to correct the economic imbalances. Central to these was a 70 per cent devaluation of the Jamaican dollar, spread over three years starting in 1983.

"Jamaica had to be competitive, and this helped to get exports going and to create jobs," explains Mr Seaga. "There was, however, a loss of political credit because of the increases in prices of food and other basic commodities." There was also an over-dependence on the bauxite mining sector which had to be relieved, Mr Seaga says.

"Structural adjustment was intended to put the economy on more than one leg. The programme built tourism into a major sector. The agriculture sector also became a major foreign exchange earner, and the manufacturing sector was converted from being a net consumer to an earner of foreign exchange."

In his last year in office Mr Seaga boasted of the economic success of the structural adjustment programme. Most of the main indicators were up. The deficit on the current account of the balance of payments moved from $355m in 1983 to $1.8m (£1.2m) last year. Exports were up.

But while imports also grew, leaving no substantial changes in the merchandise trade balance ($596.1m last year), the shortfall was made up by the *improvement in tourism.*

Fuelled by the devaluation, inflation reached 31 per cent in 1984 and 23 per cent the following year, but was gradually contained to just under 9 per cent last year. Unemployment fell from 25 per cent in 1984 to 19 per cent last year.

The political price which Mr Seaga says he paid for all this was more in the effect of the fiscal adjustments. "The fiscal deficit of 19 per cent of GDP had to be brought down," he argues.

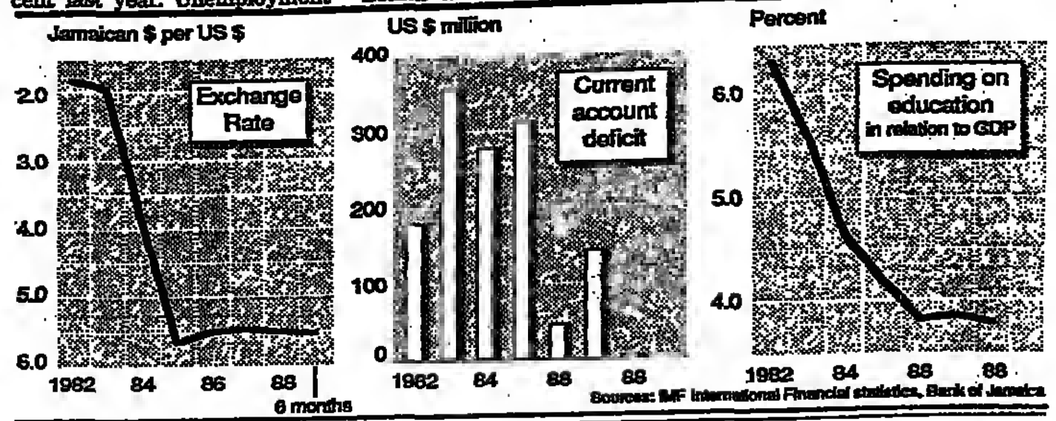
More reaction came from the effects of the spending cuts. Employment in the state sector was reduced significantly between 1984 and 1986.

The increase in prices for imported goods which followed the devaluation was accompanied by ceilings on wage rises. Demand was further controlled by raising interest rates, cutting consumption and sopping up money which bankers said then would have fuelled the parallel currency market, putting pressure on the Jamaican dollar.

Austerity reduced the government's ability to maintain social services, such as public health and education, leading poor Jamaicans to conclude that their already low quality of life had worsened. "Poor Jamaicans may accept that they will die poor," suggested one Jamaican political commentator. "But they have always regarded education as one way their children can escape poverty. Cut off that avenue, as Mr Seaga's policies appeared to have done, and you have lost them."

In his last year in office Mr Seaga announced a wide-ranging programme to rebuild the social services, arguing that this could not be done until the economy had been stabilised. Politically, it was too late.

Mr Seaga concludes that there is one aspect of current structural adjustment programmes which would make a big difference. "The programme, which is over three years, should be spread over six to seven years. We needed to move at our pace so the pain could be absorbed."



Sources: IMF International Financial statistics, Bank of Jamaica

Brady plays down policy rift

By Peter Riddell

MR Nicholas Brady, the US Treasury Secretary, yesterday conceded the existence of differences over interest rate and dollar policy between the administration and the Federal Reserve, but sought to play down their significance.

He was speaking to the Washington Post after a series of reports in the past few days about a growing gap between the Treasury and the Fed over a wide range of economic policy issues, notably the administration's desire for lower interest rates so as to prevent a recession and lower the dollar.

On interest rates, he said, "there may be a tinge on the part of the Federal Reserve to prefer control of inflation over [economic] growth. And there may be a tinge in the administration of preferring growth over controlling inflation. But it's not something over which there has been high rhetoric."

In relation to the doubts of some Fed governors over whether the US should sell dollars on a large scale, Mr Brady said, "when one conducts intervention there are differences inside the Treasury as to whether we sought to conduct it, and if so, how much. Those same differences exist with the Fed."

He said little importance should be attached to recent remarks by Mr Alan Greenspan, the chairman of the Federal Reserve, that "attempts to maintain unrealistic exchange rates" may disrupt the world economy.

Vote backs abortion choice

By Lionel Barber in Washington

ANTI-abortion campaigners have suffered two big setbacks in their drive to restrict women's rights to end pregnancies.

In the House of Representatives, lawmakers voted to allow federal funding for abortions for poor women after rape or incest, reversing an eight-year ban. In Florida, a special session of the legislature adjourned early, rejecting the opportunity to pass new laws on abortion.

The results could influence politicians in other states, who are under pressure to consider changing the law following the US Supreme Court decision in July to give states more leeway to limit abortions.

But political observers believe it is too soon to judge whether the tide has turned in favour of the abortion rights movement.

What is emerging, however, is a general reluctance among politicians to tamper with the status quo. As Mr Tom Gustafson, the Florida House speaker, said: "People do not easily give up their rights, whether it is freedom of the press, freedom of speech, or freedom of choice."

President George Bush, who like his predecessor Ronald Reagan has courted the anti-abortion lobby, is likely to veto the House provision, thus rendering this week's pro-choice victory largely symbolic.

UK NEWS

TORY CONFERENCE

Parkinson backs off commitment on rail sell-off

By Philip Stephens, Political Editor

THE Government yesterday backed away from a firm commitment to privatise British Rail, as the Conservative Party Conference continued to reflect a shift by the Government to emphasise its commitment to improving the quality of public services.

Mr Cecil Parkinson, the Transport Secretary, insisted that the sale of the state railway would still be firmly on the agenda if the Government won a fourth term of office. He admitted, however, that "it is not at the top of my list or priorities at the moment."

His decision came amid evidence that an increasingly difficult battle between the Treasury and other Whitehall departments over spending plans for next year have also cast doubt over the initial funding of the Transport Department's £12bn road-building programme for the next decade.

Mr Parkinson told the Blackpool conference that work on a plan for privatisation of the rail network was "making good progress" but he added that any decision to give the go-ahead was for the future. The immediate task was to modernise the railways.

Speaking to journalists, he downplayed any suggestion of a big policy change but declined to give any indication of when a positive announcement to proceed might be made. The Government's plan, he said, had always been only to give a firm commitment to privatise the network when it had settled on the type of sale.

Other ministers, however, suggested that the difficulties the Government has experienced in restructuring the electricity industry had persuaded it to take a cautious approach. The reports prepared earlier this year for the Transport Department by two sets of private consultants had also been less than enthusiastic about the various proposals for the break-up of the network before its sale.

Ministers said that the Government was sensitive to the potential charge that it could be accused of unreasonable dogmatism if it pressed ahead with the sale without a credible plan to introduce competition into the industry. Mr Parkinson signalled the Government's concern to be responsive to pressure from the electorate for better transport with a pledge to the conference that "We are backing the railways. We are backing public transport."

Mr Parkinson told the conference that the planned roads programme would make the road system "efficient, effective and environmentally sensitive." It is understood, however, that the Treasury is insisting that there should be a relatively slow build-up for the programme, with outlays limited in the first three years covered by the current public spending negotiations.

Some senior ministers also doubt whether the programme will eventually survive intact in the current climate of increased public concern over the environment. Transport policy is to be an important element in the overall review of the Government's environmental stragegy announced this week by Mr Christopher Patten, the Environment Secretary.

Mr Parkinson said he hoped British Rail would shortly introduce a Bill seeking authorisation for the proposed high speed line from the London to the Channel tunnel, but he said nothing about how the Government plans to overcome a financing gap of up to £2bn.

The Bill must be tabled by mid-November to avoid delaying the project by a year, but the two private sector consortia interested in the project have ruled out BR's proposed route because of escalating costs caused largely by environmental improvements.

The BR board is reluctant to table a Bill unless financing can be sorted out in advance, although no decision to drop the project has yet been taken.

Britain 'setting Europe's agenda'

BRITAIN had played a central role in the development of the European Community and was now setting its future agenda, Mr John Major, the Foreign Secretary, told conference, Michael Cassell writes.

In a speech intended to combat criticism that the government appeared deeply suspicious of Europe and also to portray a more positive approach to the EC, the Foreign Secretary said that Britain no longer needed to fear that it was "being dragged along behind unpopular policies." He added: "It is our show. The community is carrying out our programme".

Mr Major said that the Conservative party would be making a terrible mistake if it proved defensive or defeatist about Britain's role in Europe. It had breathed new life into the community, placed its finances on a firm foundation, tackled soaring farm spending and brought the single market to the top of the EC agenda.

In less strident terms than those of some of the Prime Minister's recent remarks on Europe, Mr Major said that while good progress had been made in "putting the torch to a veritable bonfire of petty obstacles and niggling controls", more work remained.

He said that financial services in the EC had to be opened for competition, as they had been in Britain. State subsidies had to be reduced, exchange controls abolished and goods and people should flow faster across frontiers, without giving up effective controls against criminals, terrorists and drug runners.

Mr Major said, however, that the government could not accept calls for economic and monetary union. They end national currencies, independent, national central banks and national control over fiscal policy, all in exchange for benefits that are unspecified and uncertain.

His tone was more conciliatory on proposals for the European social market, saying debate over the issue was welcome. But he stressed that any "social dimension" which led to people being priced out of jobs would not be acceptable to Britain.

Nigel leaves them standing with the same old act

By Michael Cassell at Blackpool

WITH one final wriggle he was free."No Alternative Nigel," the master escapologist, tough-medicine man and miracle-maker had done it again.

It had been billed as the Best Show in Blackpool; the act which had made the trade surplus disappear and got inflation to pop out of a top hat now faced his toughest trick yet.

On stage to assist were the Whitehall Wonders, most noticeably Nimble Norman Lamont, smiling courageously and performing delicate little manoeuvres while desperately trying to prevent public spending from slipping through his fingers.

Among the chorus were a couple of old troupers. Easily spotted were Torpedo Ted, who can still successfully spit nails at a moving, female target but whose act has for years been confined to the Salisbury Empire.

Alongside him was Lucky Leon, whose disastrous appearance in The Westland Papers failed to prevent him securing a four-year contract in Brussels with the cast of Gravy Train.

To one side but close enough to pull the star off stage in the event of catastrophe sat the show's steely-eyed impresario - motto "The Show Must Go On and On and On" - nervously eyeing up an audience which might turn nasty.

The warm-up acts had gone reasonably well. A comedian called up from the floor said that the only exercise enjoyed by the mind of Mr Neil Kinnock, the Labour leader, was when it jumped to conclusions.

The only awkward moment came with a spot of black comedy when another member of the audience failed to raise a laugh with a heart-rending little soliloquy about a small business on the brink of bankruptcy because of high interest rates.

It was quickly forgotten as the top billing took centre stage. A voice from the floor had called for "one more little miracle" and he proceeded to oblige by wooing them out of their seats.

The Cheeky Chancellor stuck firmly to the old lines. Higher interest rates were a short-term medicine to aid long-term recovery; he had to squeeze spending until the pips squeaked and the blips peaked. The audience knew it was the only credible plot. He had turned a budget deficit into a budget surplus and would turn today's bad notices into tomorrow's rave reviews.

It was all beautifully done but there was not a new trick in the act. Somehow, with impressive sleight of hand, he had manage to keep the massive trade imbalance and the EMS up his sleeve and out of sight. There was a quick bit of "onwards and upwards and into the 1990s and beyond" and he had gone. Nigel had done it again. The audience rose to its feet. But, as is so often the case, the critics back in London were being typically testy. The lady who put on the show may yet have to rewrite the script.

'There is no alternative, the policy will work'

By Ivor Owen

REFUSAL by Mr Nigel Lawson, the Chancellor of the Exchequer, to contemplate any policy changes to deal with what he *insisted* was the "short-term problem" facing the economy won him a prolonged ovation.

He insisted there was no alternative to high interest rates to signal Britain's determination to counter inflation and show that the Conservatives never had been "and never will be" the party of devaluation.

He acknowledged the unpopularity of his decision to raise interest rates to 15 per cent. But he told those who questioned whether high interest rates would work "the answer is that there is no alternative, and the policy will work."

Mr Lawson said he realised the problems that high interest rates caused to homeowners, particularly those with large mortgages, and to many small businesses: "But the damage caused by high inflation would be far, far worse."

Reaffirming the Government's *commitment* to control the money supply, he said: "That is what it was elected to do, and you can be quite sure it will see the job through."

Mr Lawson dismissed opposition demands for direct credit controls as a "cruel deception."

He said it would mean telling people that they could not have a mortgage at any price, while controls on other forms of consumer credit would be nothing more than "a vain attempt to get the tail to wag the dog."

Margaret Thatcher and party chairman Kenneth Baker applaud Nigel Lawson

He refused to countenance the "rake's progress of perpetual devaluation," arguing that it was a Labour Party remedy which had been tried and failed.

The Chancellor contended that occasional "periods of turbulence" on the foreign exchange markes were inevitable. He said: "We have seen them before, and we have been through them before."

He emphasised the impact which the increase in interest rates had already made on the rate of inflation, repeating his view that it had "peaked" in May.

But the Chancellor admitted that, although things were moving in the right direction, it was proving "a slow process."

Mr Lawson pointed to the high level of business investment, which was higher as a *proportion of national income* than at any time since records began, with investment in manufacturing industry continuing to grow particularly fast.

Making no direct reference to the recent large monthly deficits on the balance of payments current account, Mr Lawson stressed that the present high level of investment would provide exports in the future.

He also underlined the fact that three quarters of the imports of manufactured goods into Britain were for production and investment, rather than consumption.

The Chancellor insisted that the underlying strength of the British economy at present was real and lasting, and provided the "foundation for our *confidence in the future.*"

The most pressing task was to cut inflation and this required a period in which growth slowed and with it the growth in imports.

He said: "There is no need whatever for this to mean recession, providing business and industry keep a firm control of their costs, including wage costs in particular."

He refused to speculate when interest rates might start to come down again and said the Government would "take no risks with inflation."

Mr Lawson said it wa clear that the economy was responding to the measures taken by the Government, and he had no doubt whatever that it would "come right in good time".

Plan for £1bn US-style mall on City's edge

By Andrew Taylor, Construction Correspondent

PLANS FOR a US-style shopping mall on the doorstep of the City of London were unveiled yesterday as part of a £1bn commercial property development, which will provide almost 1m sq ft of offices, as wells shops, restaurants, rented housing landscaped parks and gardens.

The development is proposed for the Spitalfields fruit and vegetable market on the north east boundary of the City of London, where there has been a market for more than than 400 years - it received a Royal licence from Charles II in 1682.

A Parliamentary Bill enabling the market to move at the end of next year to a new site at Temple Mills in north east London is expected to receive approval in the next few weeks.

The proposal to develop the market site comes from Spitalfields Development Group, which comprises Londoo and Edinburgh Trust, Balfour Beatty and County and District Properties, part of Costain the construction, property and mining gronp. Yesterday it submitted a revised planning application to the City Corporation and Tower Hamlets Borough Council.

Mr Brian Cheetham chief executive of Spitalfields Development Group, said: "We have now revised our proposals to meet demand for smaller offices from corporate and professional tenants."

The new designs also include more retailing. The proposed shopping mall will occupy two floors of a seven-storey 80-metre glass-covered galleria.

The revised plans have been announced at a time of mounting concern about the high level of new development being undertaken in the City of London and whether there will be sufficient tenants to fill all the space planned.

The three developers have so far invested £120m in the consortium, which has also raised £340m in debt. The cost of the development is expected to be about £800m to £900m and will have a completed value of more than £1bn.

"We would expect to have about one third equity to two thirds debt when financing is completed. We are considering other shareholders," said Mr Cheetham.

Scotland's councils react with horror to poll tax amendments

Poll tax debut threatened by chaos

By Richard Evans

THE UK GOVERNMENT was warned yesterday that the introduction of the community charge, or poll tax, in England and Wales next April threatens to be chaotic because of the latest proposals to soften the impact of the charge.

Local authorities in Scotland, where the charge has been in operation for six months, also reacted in horror at the additional complications involved in introducing the reforms.

The main problem is that the proposal to protect certain categories from the worst impact of the charge means that pensioners, the disabled and others have all to be targeted individually in order to gain relief. This cannot be done from the community charge registration forms that have recently been distributed.

The reforms, announced at this week's annual Conservative Party conference, have two main aspects, one concerned with the controversial "safety net" which will transfer money from councils that gain from the introduction of the tax to those that lose, and the other aimed at alleviating individual cases of hardship under the tax.

The consensus yesterday was that while the reforms could be judged sensible in themselves, they had not been properly thought out and tended to undermine the original reason for the poll tax - that it should be payable by virtually everybody.

Mrs Rita Hale, community charge expert at the Chartered Institute of Public Finance and Accountancy (Cipfa), said: "As a local tax it now doesn't seem able to work on in its own terms because of the number of bolt-ons."

The impact of the new safety net provisions politically was also not clear. The net, intended to cushion the impact of the poll tax on people living in high-spending, inner city local authorities, will now be paid for after the first year by the Exchequer

Mrs Hale said she could see the benefit to people living in low rateable value homes in gaining areas, but it was difficult to see how it would benefit charge-payers in low value homes in losing areas.

The continuing difficulty for the Government is that there are more key marginal parliamentary seats in losing areas than there are in areas that will benefit from the new proposals. As the General Election is more likely to be in 1991 than next year, political resentment against the poll tax could remain a big issue.

The extra Exchequer cash will also provide little help to Conservatives, particularly in London, who will be fighting local elections next May. Many Tory MPs remain deeply unhappy at the decision to allow the original safety net proposals to remain for next year. This means that gaining Tory councils will still lose half the benefit.

The new system of personal transitional relief, which will run for three years to help individuals who would otherwise have faced the largest increases in the change to the new taxsystem, was widely welcomed. It will cost £300m next year and a further £300m over the following two years.

No individual or couple will be allowed to lose more than £3 a week from the changeover to the community charge as long as their local council spends according to Government assumptions.

The £156 a year cap on losses is expected to help 6m people in the first year of operation of the poll tax. It will also be targeted especially at pensioners and disabled people who do not pay rates at present.

The difficulty is that all these beneficiaries have to be tracked down by local community charge officers, but the necessary questions that would enable easy identification could not be asked on the poll tax registration forms.

LOCAL authorities in Scotland yesterday reacted in horror to the complications that will be caused by the Government's latest measures to soften the impact of the community charge, which has been in force in Scotland for six months, writes James Buxton.

"The system is already a creaking at the edges as it is," said one director of finance for a regional council, which collects the charge. The exemptions for those suffering from degenerative brain disorders such as Alzheimer's disease are to be implemented as soon as possible and, the Government hopes, before the end of the current financial year in March. Although the Government will not make retrospective payments, those entitled to exemptions will be refunded any community charge payments they may have made in advance for the period after the scheme comes into operation.

The details of the transitional relief for those badly affected by the community charge are to worked out as soon as possible by the Scottish Office in consultation with Convention of Scottish Local Authorities (COSLA).

Patten drops Ridley policies in shift to a greener shade

By John Hunt, Environment Correspondent

IT has not taken long for Mr Chris Patten, the Environment Secretary, to start moving away from the policies of his much-criticised predecessor Mr Nicholas Ridley.

In his speech to the Tory party conference on Wednesday, less than three months after taking over his post, Mr Patten emphasised the role of Government regulations in protecting the environment. The free market would still have a part to play but only within the constraints of the regulatory process.

"The market is not enough. We have always believed that the market has to be regulated," Mr Patten said later on BBC radio.

The Government's rush to occupy the green ground of politics falls into two parts.

First, there is the programme to clamp down on all forms of pollution - toxic waste, sulphurous smoke from power stations, vehicle emissions - and to tackle the greenhouse effect of global warming and the depletion of the ozone layer.

Then there is the urgent need to change the planning system to mollify the Government's supporters in south-east England who complain about over-development and the destruction of the countryside.

On pollution, Mr Patten announced that he wants the proposed new European environment agency located in Britain. This will not impress the environmental lobby groups as the proposal has already been watered down, largely at Britain's insistance. It will now be a body to collect and provide environmental information rather than one "with teeth" to punish polluters.

He also announced that the green bill, which is expected in the Queen's speech next month, will place a duty on local authorities to include recycling provisions in their waste disposal plans. This is seen as an overdue measure to co-ordinate a fragmented sector where different industries - aluminium and steel cans, glass, paper and plastics - have their own schemes. However, Mr David Gee, campaign co-ordinator at Friends of the Earth, would have liked to see a similar obligation placed on the private sector.

What attracted most attention was Mr Patten's announcement that the Government intends to publish a White Paper (policy document) before next year's party conference setting out a broad strategy for dealing with the environment.

Environmental organisations have long been demanding such a comprehensive document. In effect it will be an environmental agenda on which the Tories can go into the next general election.

A cabinet committee under Mrs Thatcher will mastermind this project and it is significant that the Departments of Energy and Transport will be represented on it. The Department of Transport's massive proposal for a £12bn road programme has been condemned by a range of ecologists.

The Department of Energy has been criticised for reducing the budget of its energy efficiency office and giving too low a priority to fuel conservation at a time when this is an essential means to reducing pollution.

These are only some of problems Mrs Thatcher's committee will have to reconcile with a green outlook.

This rethink will look seriously at the way in which the Pearce proposals for taxing polluting products can be implemented. These were put to the Government earlier this year by Professor David Pearce of London University, and Mr Patten is very sympathetic to them.

By next year the Government will be in possession of the findings of the Intergovernmental Panel on Climate Change in which Britain is taking the lead in scientific research. These will be considered in refining a Government strategy for taking an international lead in tackling such global threats.

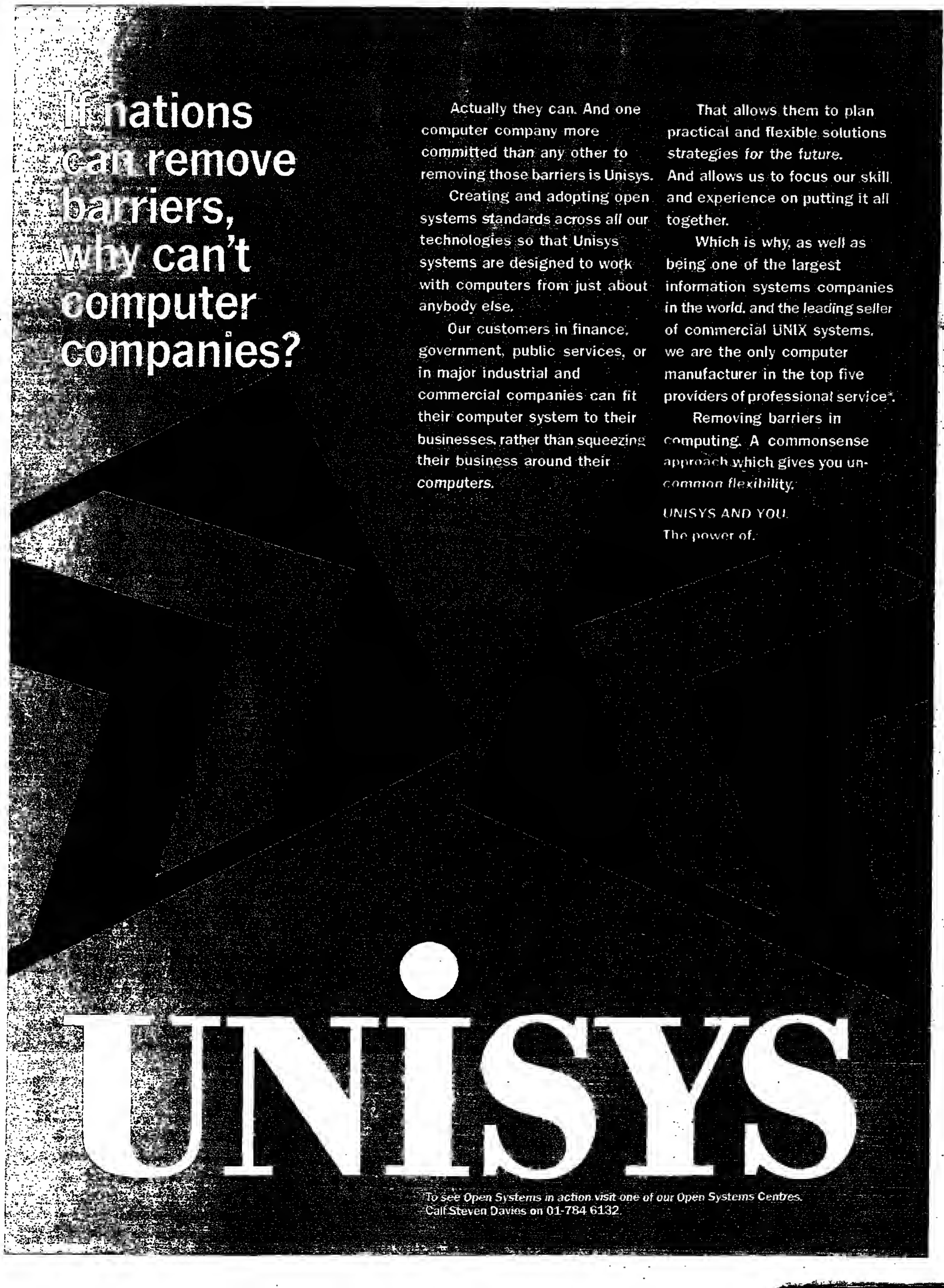
On planning, Mr Patten made another announcement which confirms that he is rapidly ditching the unpopular policies of Mr Ridley.

Earlier in the summer the DoE produced a consultation document suggesting relaxation of planning control for farming land to be used for leisure purposes. Because of the strong opposition aroused Mr Patten unceremoniously abandoned it at Blackpool.

Only last week Mr Patten rejected the proposal from Consortium Developments for Foxley Wood, a private new town on the Berkshire Hampshire borders. He also announced that he would be withdrawing the planning guidance which lays down a presumption in favour of housebuilding.

Now the whole future of the Government's long-delayed planning bill is in doubt. There are strong suggestions that Mr Patten has abandoned Mr Ridley's controversial proposals to scrap county structure plans, which lay down overall planning strategy for the districts.

The planning bill will not be brought forward in the coming session of parliament as Mr Ridley had originally hoped. It seems to have been put on the back burner while the whole issue is re-examined.



Developers to make fresh bid to save Battersea park plan

By Rachel Johnson

A FRESH ATTEMPT to save the project to convert London's derelict Battersea power station into a leisure park is being made by the developers, Alton International.

However the local council is suggesting that the Thamesside building, one of the capital'a best known landmarks, may have to be demolished.

The developers are seeking support this week from a syndicate of 14 international banks. Cost overruns estimated at £60m caused work on the site to stop last March. The park was originally due to cost £135m and to be opened next May.

Mr John Broome, of Alton International, who is also developer of the Alton Towers leisure park in Staffordshire, East Midlands, hopes to reveal a new financial package for the project next week.

Alton International was formed this year with Mr Paul Bloomfield, the property trader, after he put a cash injection into the Alton Group which had developed Alton Towers.

Security Pacific, the Los Angeles-based merchant banking group, is leading the syndicate to fund the Battersea scheme. Long Term Credit Bank of Japan and Crédit Suisse are also investors. Security Pacific describes negotiations as being at a delicate stage.

Next week's expected announcement should reveal the new budget following the postponement caused by the cost overruns.

The new figure is likely to be substantially above £280m - although none of the banks is prepared to confirm the revised cost-to-completion estimate at this stage.

The project ran into problems; first with the extraction of asbestos and then with the strength of the foundations of the brick structure, a listed building. English Heritage, the government agency, says the building is likely to remain in its now partially roofless state through the winter, although the developers have completed some of the emergency repairs demanded by the agency.

Wandsworth Borough Council, the planning authority, says that the unscheduled halt to construction, which stopped last March for "two to three months pending refinancing of the scheme and cost reviews," is causing irreparable damage to the building.

Mr Martin Johnson, deputy leader of the council and chairman of the technical services committee, said: "A huge question mark lies over the project, and the question is whether the building should remain standing."

The profitability of the scheme depends on planning permission to develop the adjacent Battersea Wharf, a site Alton does not own. But the wharf's present owner, Parc Securities, intends to develop it apart from Alton International.

Without the Wharf, Mr Johnson says, The Battersea - as the park is known - will never get off the ground, because of the project's record of escalating costs, structural weaknesses, and the quantities of asbestos in the power station.

"We may make a statement that the building is not viable, and submit an application to demolish it," said Mr Johnson.

This option is likely to provoke as strong a local protest as the leisure park scheme.

The council wants to see the site developed, but is predicting that the leisure park centre will not open until 1992 at earliest - which is two years later than originally promised when Mrs Margaret Thatcher, the Prime Minister, officially launched the project in 1988.

Abbey National puts up interest rate to 14.5%

By David Barchard

ABBEY NATIONAL yesterday became the second mortgage lender to put up its interest rates after the recent rise in the bank base rate to 15 per cent.

Interest rates on most Abbey National mortgages will rise from 13.5 per cent to 14.5 per cent from November 1. The revised rate is equivalent to an annual percentage rate of 15.6 for endowment mortgages.

Customers with loans of £60,000 or more, however, face a slightly smaller increase, with their interest charges rising from 12.95 per cent to 13.9 per cent.

A customer with a £60,000 endowment mortgage will have to pay an extra £41.57 each month.

Abbey National, which as a building society operates as a home loans and savings institution, has pegged its increases to those announced by Halifax, the largest UK mortgage lender, on Monday. As a result, its revised rate for smaller mortgages is half a percentage point below base rate.

Building societies have been holding their mortgage interest rates below base rate since May, thereby undercutting banks and mortgage companies.

Abbey National is expected to keep in step with Halifax by increasing its rates to savers by 0.75 percentage points in the next few days. However it has slightly undercut Halifax by offering the reduced rate on loans over £60,000 to existing customers as well as new ones.

Now that Halifax and Abbey National have both raised their rates to borrowers, most other building societies can be expected to follow. One or two smaller societies may well announce larger increases.

Mortgage companies adjusted their rates in June to take account of the previous base rate rise to 14 per cent, unlike the societies, so will probably not have to make a move until the end of November. An increase in mortgage rates by the clearing banks is also expected before the end of the month.

Yesterday Abbey National said that borrowers who may find themselves in difficulty because of the increases were advised to contact their local branch as soon as possible.

Decision on sale of bank 'next week'

By David Barchard

THE OWNERS of Yorkshire Bank, the Leeds-based clearing bank, are expected to announce formally early next week that they are putting the bank up for sale.

The four joint owners – National Westminster, Barclays, Lloyds and Royal Bank of Scotland, let it be known early in August that they were considering selling Yorkshire, which last year was Europe's most profitable bank with pre-tax profits of £100.8m on total assets of £3.2m.

Since then Price Waterhouse, the accountancy firm, has been reviewing the bank's assets and determining a possible sale price. Some estimates have put a price tag of over £850m on the bank because of its unique position in the UK banking market.

The figure has deterred Royal Bank of Scotland, which has an 8 per cent stake in Yorkshire Bank. Initially it expressed interest in buying control of the bank, which has 247 branches mostly in the north of England, if the price were right.

Yorkshire Bank may now pass to a foreign buyer. Deutsche Bank of West Germany is known to have expressed an interest, as has National Australia Bank.

Teamwork 'can raise productivity by over 20%'

By John Gapper, Labour Editor

IMPLEMENTING teamworking methods in existing manufacturing plants has raised productivity by 20 per cent or more and cut factory lead times by more than 10 per cent, says a detailed study of new working methods in several companies.

The study of the effects of switching from traditional demarcations among workers and supervisors on production lines to teams of workers with greater autonomy concludes that it has a success both for business efficiency and job satisfaction.

Among the companies studied by Dr Michael Cross, a visiting fellow of the City University Business School, were Trebor, the confectioner, Procter and Gamble, the diversified household products group, Digital Equipment, the high technology group, and Exxon Chemicals.

In an unpublished paper, Dr Cross concludes that teamworking has reduced breakdown waiting times by 1.5 per cent, cut materials wastage by 15 per cent, reduced absenteeism from 6-7 per cent to 3-4 per cent and cut overtime levels from 10-12 per cent to 5-6 per cent.

Although a move to teamworking in manufacturing plants has become increasingly common when companies make big investments in new capital equipment, there has been little evidence beyond the anecdotal for whether it brings the gains its proponents claim.

Dr Cross says experience has shown that teams work best when they comprise between five and 12 people. When they become larger, a few members tend to take a central role, making consensus more difficult.

Keeping strong team cohesion leads to higher job satisfaction and performance and a fall in absenteeism and turnover. Cohesion is likely to develop where numbers are small, members of the team work physically close and interact frequently.

Dr Cross says that machine and line performance has been increased by between 5 and 65 per cent, with a mean of 18.5 per cent. Taken with the other benefits, the overall productivity increase has been 20 per cent or more over a period of up to 4½ years.

Implementing n *Teamwork Philosophy Within an Existing Site*

Report warns regulation could damage London

Codes 'threaten' role of City

By Peter Montagnon, World Trade Editor

BRITISH financial institutions could lose out to European competition if the City of London's financial institutions are subjected to too much regulation, Lord Limerick, Chairman of the British Invisible Exports Council warns today.

Commenting in the Council's annual report on the current reviews of the Financial Services Act and its implementation, he says time is not on the side of the UK in working out the right balance between prudential supervision and leaving markets free to function.

The light yoke of regulation has been a powerful factor in attracting business to the City of London in recent decades, he says.

It would be self-delusion to suppose that European countries would replicate any tougher regulation introduced into the UK simply for the sake of achieving harmonisation inside the European Community.

"A much more likely scenario would be for our domestic practitioners to be left on their own to adjust to the rigours of regulation, while the regulators in other European centres, scarcely able to believe their good luck, moved thankfully in the direction of greater liberalisation."

With the emergence of a unified market of 320m consumers the European Community is for the first time looking at growth prospects for services at least as good as those of the US which "still has to overcome the problems of inter-state operation that the European Community has largely resolved in advance."

Lord Limerick notes that Britain's net private sector earnings from invisible trade dipped last year to £12.15bn from £13.24bn in 1987. But he says it is too early to say whether this was simply attributed to the special features affecting the financial sector.

Hull-US link up aimed at telecoms software market

By Terry Dodsworth

KINGSTON Communications, the Hull based telephone company, is linking up with Cincinnati Bell of the US in a joint venture aimed at providing software services to the European telecommunications industry.

The new joint venture company, in which each of the parents will have a half share, reflects Kingston's ambitions to diversify beyond its traditional business as the only independent telephone company in the UK.

Mr Roy Matthews, Kingston's managing director, said that the company was determined to move into new areas as competition grew in standard telecommunications following the liberalisation of the UK market. The expertise of Cincinnati Bell in the field would help the company tackle the European market, he added.

As one of the leading US independent telephone companies Cincinnati Bell has a similar position in the US to Kingston in the UK. Since the deregulation of the American telephone industry it has been forced to branch out into new areas, and has built up sales of $300m in software services. This compares to its total revenues of $900m. The new company, CBIS-Kingston, will employ about 25 European nationals based in London.

Notice of Partial Repayment

U.S. $175,000,000

Floating Rate Certificates due 1990

Payable solely from the proceeds of a loan made to

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Istituto per lo Sviluppo Economico Dell'Italia Meridionale

NOTICE IS GIVEN that pursuant to the terms of the Loan Agreement of the Certificates, U.S. $11,110,000 have been drawn for mandatory partial repayment at their principal amounts, together with accrued interest, on 15th November, 1989, (the "Redemption Date"), when interest on the Certificates will cease to accrue.

The serial numbers of the Certificates drawn for the mandatory partial repayment are as follows:

30	1765	3450	5000	6705	8347	9836	11487	13018	14711	16159
32	1801	3483	5003	6718	8349	9877	11521	13054	14732	16184
52	1818	3509	5022	6762	8356	9886	11550	13058	14737	16221
69	1833	3516	5028	6791	8365	9892	11571	13064	14751	16228
74	1846	3523	5055	6812	8448	9908	11579	13072	14754	16257
104	1854	3542	5059	6818	8461	9967	11583	13079	14755	16262
125	1878	3567	5128	6839	8466	9998	11598	13086	14756	16279
158	1883	3575	5186	6845	8480	10003	11599	13093	14761	16283
160	1887	3578	5196	6847	8493	10053	11659	13110	14762	16300
209	1908	3596	5206	6866	8519	10128	11660	13118	14780	16320
230	1914	3641	5270	6900	8523	10148	11680	13174	14782	16329
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8526	10180	11682	13186	14798	16344
292	1937	3666	5288	6943	8531	10191	11695	13225	14830	16363
299	1943	3688	5336	6959	8571	10197	11708	13268	14914	16380
308	1980	3690	5338	6960	8580	10213	11724	13284	14933	16393
309	2000	3703	5364	6973	8600	10221	11736	13298	14935	16394
329	2013	3706	5376	6999	8603	10222	11744	13309	14942	16402
351	2027	3708	5379	7010	8604	10262	11756	13341	14963	16403
358	2042	3721	5395	7017	8641	10266	11783	13353	15008	16418
391	2056	3750	5452	7033	8644	10274	11809	13361	15013	16419
420	2065	3756	5466	7034	8653	10289	11840	13373	15026	16424
431	2138	3801	5476	7043	8659	10299	11842	13378	15029	16461
432	2154	3828	5487	7062	8685	10302	11897	13386	15054	16462
433	2162	3832	5496	7081	8686	10309	11895	13390	15065	16473
490	2166	3835	5510	7086	8700	10314	11903	13392	15091	16486
512	2172	3854	5521	7140	8709	10322	11912	13416	15109	16494
543	2183	3869	5525	7144	8712	10333	11930	13426	15115	16496
567	2185	3904	5534	7148	8717	10335	11970	13435	15191	16514
579	2237	3911	5550	7163	8733	10349	11971	13460	15194	16534
581	2241	3915	5569	7189	8742	10368	12001	13461	15211	16536
584	2258	3928	5570	7240	8754	10374	12007	13482	15226	16550
588	2265	3953	5578	7251	8763	10406	12021	13498	15236	16576
617	2266	3964	5580	7256	8787	10420	12038	13508	15265	16605
624	2275	3973	5593	7272	8788	10441	12052	13521	15270	16609
652	2286	4018	5615	7292	8818	10455	12056	13529	15297	16641
654	2303	4060	5633	7294	8851	10476	12058	13530	15301	16644
658	2335	4061	5655	7301	8896	10488	12071	13536	15311	16648
671	2339	4079	5714	7329	8899	10494	12076	13541	15343	16651
703	2359	4092	5720	7332	8916	10497	12099	13558	15352	16667
716	2369	4097	5756	7336	8918	10507	12113	13565	15358	16671
739	2406	4101	5757	7342	8923	10522	12124	13567	15376	16679
760	2449	4108	5759	7362	8932	10538	12128	13569	15401	16696
764	2536	4122	5760	7368	8944	10572	12129	13607	15419	16737
806	2542	4146	5764	7372	8951	10575	12150	13632	15422	16739
819	2567	4162	5770	7376	8952	10578	12157	13646	15436	16745
832	2582	4165	5771	7397	8954	10584	12162	13652	15472	16776
840	2601	4195	5778	7407	8976	10587	12215	13663	15491	16814
844	2622	4199	5783	7417	8985	10598	12217	13672	15494	16816
849	2644	4207	5828	7430	9027	10604	12220	13674	15498	16828
886	2655	4232	5838	7436	9034	10609	12257	13683	15511	16847
902	2658	4248	5845	7463	9068	10637	12262	13738	15512	16849
921	2660	4277	5848	7467	9085	10672	12276	13743	15524	16870
930	2672	4284	5863	7473	9094	10710	12282	13747	15525	16894
931	2677	4287	5886	7485	9121	10742	12291	13754	15534	16923
934	2690	4307	5903	7496	9140	10749	12307	13756	15545	16926
989	2702	4314	5940	7506	9146	10763	12309	13785	15560	16930
1003	2708	4316	5943	7561	9209	10782	12321	13834	15578	16954
1008	2721	4322	5965	7566	9268	10803	12322	13838	15596	16966
1018	2732	4326	5966	7571	9287	10807	12328	13886	15660	16979
1024	2735	4352	5987	7573	9295	10809	12330	13936	15661	16995
1026	2764	4358	6007	7591	9301	10811	12335	13971	15666	17020
1027	2773	4365	6010	7669	9321	10823	12345	13980	15676	17024
1053	2781	4369	6029	7670	9326	10841	12367	13987	15677	17025
1058	2786	4391	6038	7681	9338	10881	12369	14009	15679	17032
1073	2832	4394	6087	7685	9348	10883	12373	14024	15694	17041
1074	2835	4476	6116	7706	9360	10893	12387	14072	15701	17054
1091	2863	4511	6139	7720	9367	10906	12424	14075	15738	17057
1110	2874	4517	6168	7732	9392	10915	12434	14082	15756	17059
1112	2891	4542	6182	7733	9418	10923	12445	14085	15774	17061
1195	2947	4568	6208	7761	9430	10975	12449	14113	15780	17073
1202	2968	4571	6212	7777	9443	10989	12454	14115	15782	17089
1203	3008	4618	6229	7789	9471	11018	12458	14118	15796	17100
1207	3024	4620	6234	7810	9482	11025	12495	14137	15804	17117
1224	3031	4623	6259	7817	9483	11027	12501	14145	15810	17125
1234	3034	4644	6280	7836	9487	11033	12504	14177	15846	17157
1240	3050	4650	6281	7859	9500	11036	12516	14183	15852	17162
1276	3069	4660	6310	7861	9522	11044	12576	14187	15863	17173
1282	3070	4661	6312	7886	9530	11045	12581	14201	15869	17180
1307	3081	4673	6330	7903	9542	11073	12608	14218	15899	17217
1329	3088	4692	6334	7905	9557	11097	12621	14233	15918	17228
1351	3130	4695	6337	7906	9575	11110	12632	14234	15935	17235
1407	3141	4698	6369	7926	9580	11122	12700	14284	15942	17261
1412	3143	4723	6409	7932	9590	11131	12724	14286	15950	17266
1424	3144	4745	6412	7952	9601	11159	12730	14314	15959	17300
1455	3152	4760	6437	7960	9612	11160	12734	14323	15960	17328
1465	3162	4768	6456	7984	9629	11166	12757	14330	15961	17329
1497	3178	4771	6487	7992	9631	11185	12760	14331	15977	17346
1513	3187	4779	6506	8006	9634	11261	12761	14351	16006	17353
1560	3218	4809	6515	8055	9657	11284	12805	14370	16016	17358
1567	3225	4872	6523	8104	9660	11302	12821	14377	16022	17383
1577	3271	4874	6585	8128	9673	11351	12862	14379	16036	17414
1583	3274	4902	6595	8136	9687	11366	12868	14406	16052	17420
1598	3293	4920	6640	8173	9712	11370	12896	14501	16061	17435
1602	3330	4926	6644	8205	9746	11384	12930	14518	16078	17461
1606	3344	4938	6648	8230	9749	11392	12939	14527	16082	17468
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1686	3392	4991	6693	8329	9786	11465	12972	14678	16097	17483
1725	3400	4992	6696	8334	9800	11466	12988	14681	16111	17496
1754	3441	4998	6697	8336	9813	11477	12989	14707	16114	17497

Repayment of principal will be made upon presentation of the Certificates with all unmatured Coupons attached, at the offices of any one of the Paying Agents mentioned thereon.

Accrued Interest due 15th November, 1989, will be paid in the normal manner against presentation of Coupon No. 9, on the next interest payment date, being 15th November, 1989.

Upon the due date for redemption of any Certificate, unmatured Coupons relating to such Certificate (whether or not attached) shall become void and no payment shall be made in respect thereof. Where any Certificates are presented for redemption without all unmatured Coupons relating thereto, redemption of such Certificates shall be made only against the provision of such indemnity and security as the Trustee may require.

Bankers Trust Company, London — Agent Bank

13th October, 1989

Clive Cookson reports on a experimental laser treatment that corrects common vision problems

Here's looking at you

Medical researchers are beginning to use lasers to reshape the eyes of people who are either short- or long-sighted, so that they no longer need to wear glasses or contact lenses.

Many ophthalmologists (doctors specialising in the eye) are excited by the prospect of correcting permanently the common vision problems – short sight, long sight and astigmatism – which affect about half of the world's population. So are investors who have been bidding up the shares of three small US companies developing laser systems for this purpose. The combined value of Summit Technology, Taunton Technologies and Visx on the Nasdaq market reached $200m last month, more than three times the level at the beginning of the summer, though their shares have since fallen back on profit taking.

Other experts warn, however, that the current enthusiasm for the laser procedure – known scientifically as photo-refractive keratectomy (PRK) and more descriptively as corneal sculpting or reshaping – may be excessive. It is still an expensive experimental treatment; some eye specialists are not convinced that it can correct sight without adverse side-effects; and it is unlikely to receive commercial approval from the US Food and Drug Administration (FDA) for at least two years.

One of the first industry analysts to appreciate the business potential of corneal sculpting was Irving Arons of Arthur D Little, the Boston consultancy. In 1986 he predicted that, within five years of commercialising the procedure, 4m to 5m sculpting operations would be carried out and at least 800 laser systems would be sold every year in the US.

That forecast was based on preliminary information, before any of the three companies had built their equipment. The latest Arthur D Little study, published last month, predicts that corneal sculpting will be adopted more slowly; about 2m sculpting procedures will be carried out annually within five years of FDA marketing approval.

"However we remain confident that the successful introduction of this revolutionary technique into ophthalmic practices will change the way vision is corrected for ever," Arons says. A survey of US ophthalmologists carried out for Arthur D Little shows that the fee for corneal sculpting is likely to be $1,000 to $1,500 per eye, which would bring the profession an additional income of more than $1bn a year after five years.

Each laser system costs at least $250,000. If ophthalmologists buy them at a rate of, say, 400 per year the equipment manufacturers will have total revenues of $100m a year in the US, the largest market.

Lasers have been used in ophthalmology for longer and more extensively than in any other area of medicine. As John Marshall, professor of experimental ophthalmology at London University's Institute of Ophthalmology, points out, the eye is the only organ of the body that has evolved to respond to radiation.

Various sorts of laser are in routine use for many different eye treatments, including burning away unwanted growths, welding pieces of tissue back into place (such as detached retinas) and cutting holes to relieve pressure.

Corneal sculpting requires a relatively new device, known as an argon fluoride excimer laser, which emits pulses of ultraviolet radiation at a very short wavelength (193 nm). Other medical lasers work at longer wavelengths by destroying tissue through heat but the excimer has sufficient energy to break chemical bonds without heating. It destroys only those molecules in the direct laser beam. The effect is an extremely precise and controllable removal of tissue.

The first scientist to show how cleanly an excimer laser can cut organic materials was Rahgaswamy Srinivasan, working at IBM's Thomas J Watson research laboratory in New York. His 1982 report was quickly applied to eye surgery by Francis L'Esperance and Stephen Trokel, ophthalmologists at Columbia-Presbyterian Medical Centre in New York.

The two are now associated with rival companies – L'Esperance with Taunton and Trokel with Visx – and embroiled in a complicated US patents dispute. "To say the least, a confusing picture of ownership of technology exists that will most likely be resolved by the courts, unless a mutually satisfactory agreement can be reached between the involved parties," comments Arons.

The uncertainty over patents has not held up the development of excimer systems for corneal sculpting. Taunton and Visx buy the lasers from Questek, a small Massachusetts manufacturer; they have concentrated on developing all the associated control equipment. A third company, Summit, produces its own lasers – which, it says, enables it to make more compact and less expensive systems.

The procedure for using the equipment is similar for all three companies. The cornea – the curved outer surface of the eye which, together with the lens inside the eye, focuses light on the retina – is scanned and a computer determines how much material the laser should take off the front layer to refocus the cornea-lens combination.

Usually the laser removes no more than 50 microns, about 10 per cent of the cornea's total thickness. As the diagram shows, short-sightedness is corrected by flattening the curvature of the cornea. Long-sightedness is corrected by increasing the curvature; this is achieved by configuring the laser so that it removes a ring of material around the middle of the cornea.

The laser takes about 30 seconds to reshape the cornea and the whole procedure can be completed in a half-hour outpatient's appointment. The eye must be kept bandaged for a day or two while the cornea heals. Over the last five years tests of corneal sculpting have progressed from dead animals to live animals, blind people, people with diseased eyes and – within the last year or so – dozens of people with normal long- or short-sightedness.

The Taunton and Visx equipment is in use only in the US. But Theo Seiler of West Berlin's University Eye Hospital has pioneered corneal sculpting in Europe with Summit excimer lasers. In London, John Marshall has been using a Summit machine to smooth out roughness on the corneas of people suffering from certain eye disorders. Marshall expects to begin corneal reshaping of people with healthy eyes "in the very near future."

The experimenters say that their preliminary results are encouraging. People with severe short-sightedness have been given perfect vision. The main problems so far are related to the healing of the cornea. One complication is that a slight cloudiness or haze sometimes appears, though this is rarely enough to affect the patient's sight. Another is that the epithelium (the outer surface of the cornea) grows back thicker than it was before treatment.

According to Marshall, these problems date back to "the early days when people didn't really understand their systems. They were too aggressive and used inappropriate beams and energies." By operating carefully, he says, it is possible to avoid the haze; the computer program that controls the laser can take account of the epithelial thickening.

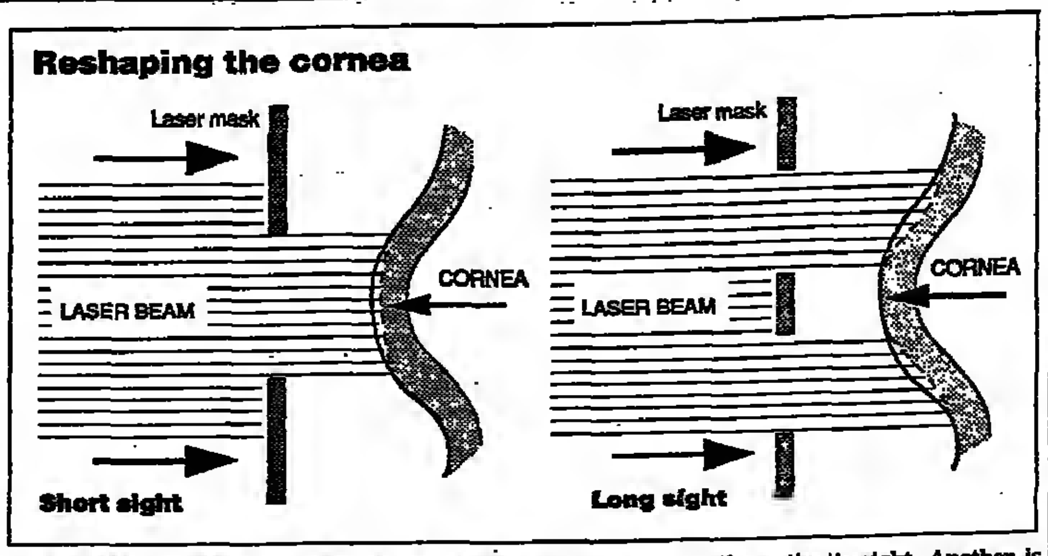
The side-effects are certainly less than with the surgical treatment for short-sightedness known as radial keratotomy, which has been popularised by the Soviet eye surgeon Syvatoslav Fyodorov. This involves cutting tiny slits in the cornea, in a radial pattern which has the effect of flattening its surface. Radial keratotomy became fashionable in the US during the early 1980s, despite opposition from many ophthalmologists, but it has recently fallen out of favour.

The opposition to corneal reshaping by laser is less vehement but still widespread. Many mainstream ophthalmologists remain cautious about corneal reshaping – and far from convinced that all the problems have been overcome or even recognised.

"It's really far too early to know whether this is going to be of much use," says Professor Barry Jay of Moorfield Eye Hospital in London, who is vice-president of the College of Ophthalmologists. "It's important that this research should continue but I cannot see it replacing spectacles for several decades."

John Marshall's experience makes him more much enthusiastic about corneal reshaping. "My gut feeling is that it's going to be a winner."

Reshaping the cornea



Machine lasers at the cutting edge

Production engineers who thought they knew everything about speeds and feeds for machine tools may soon have to come to terms with a new tool: the laser.

In applications like heat treatment, welding, cutting and measurement, the laser is becoming widely applied. But it has yet to make its debut in the machine shop. Among several developments of laser products at the European Machine Tool Show in Hanover last month, however, was a prototype machine that could set production engineers thinking.

The new machine is called the LaserCAV, the CAV suffix indicating that its principal role is for creating cavities, as opposed to other laser-based machines where the laser beam passes through to cut shapes out of sheet and plate material. The LaserCAV creates a cavity by using a laser beam to vaporise the material; one layer after another. Other laser-based cutting machines are generally two-axis, but the LaserCAV boasts five numerically controlled axes which adjust the movement and orientation of the workpiece and the angle of the laser tool.

For fine filigree structures and sharp corners, the laser has the advantage because it is fast, contact-free and can operate with a fine beam. The LaserCAV gives a milling radius of 0.1mm, according to Maho, the West German manufacturer. It can therefore replace some of the trickiest milling operations. It is also efficient at processing hard materials such as ceramics, which are becoming widely used in aircraft construction.

Maho chairman Werner Babel decided to expand into lasers after seeing the proliferation of products at the US International Machine Tool Show in 1982. He believes the laser will take more work away from established manufacturing processes such as milling and EDM (Electro Discharge Machining).

The LaserCAV is based on an existing milling machine design with which a Trumpf30 750W carbon dioxide laser has been integrated. Maho is looking for industrial partners to test the machine in a true industrial environment. It expects the machine to be of most use to development departments working on prototype products where the faster that modifications can be introduced, the quicker the development cycle. The machine is expected to cost DM 1m (£340,000).

German machine tool company Dorries-Scharmann also announced a new laser in Hanover. The company believes the need for milling and boring machines will reduce because of advances in forging and casting technology. It has collaborated with the Fraunhofer Institute and MAN Technology to develop the laser beam guidance system.

The creation of a modular construction means that it can be adapted to a laser welding, heat treating or cutting application, and to the customer's product. Different sizes of working area can be combined with numerically controlled axes to create a low-cost solution. The company says about 50 projects are in discussion, mainly for welding and heat treating because other low-cost laser cutting machines already exist.

Finally, the Japanese company Mazak showed a new five-axis laser machine designed for cutting features in complex three-dimensional sheet metal components. The most interesting aspect of this machine is the programming option.

The complexity of the part and the cutting process can involve several hours of programming, thereby putting the laser tool out of action for long periods. To avoid this, Mazak offers the customer a second numerically-controlled machine, identical to the first but without the laser.

The two are linked by a pallet transfer device. While one is cutting, the other can be used for programming. The two control systems are connected; when the program is transferred to the cutting machine the pallets change and, with a minimum of downtime, the machine begins working again. Intended for prototype and small-series tool and die manufacture, the machine costs DM 1m without the programming option and DM 1.5m with it.

Anna Kochan

For best results, handle Case with care

Janet Preston and Miranda Park of consultants Arthur D Little in London respond to an article on computer aided systems engineering which appeared on 5 October.

OUR experience shows that while it is important to get management commitment to the use of Case "tools", it is more important to make sure these tools are properly introduced within the organisation.

At the beginning of the 1980s companies desperate to exploit information technology started using Case to help speed their software development. The promise was that if they chose the right Case tool and ran it on the right hardware, they would make terrific strides in efficiency.

Many companies did choose the right tool, and the right hardware, often at a cost of many thousands of pounds. Less than a decade later, these companies are sidelining their expensive technology (British Gas and American Express are two recent examples) and returning to the more traditional methods of development.

Was this about-face inevitable given the complexity of the systems development life cycle; or could the Case tools have been made to work?

Of course they could, as press reports on the success of companies such as Volvo and W.H. Smith and now the Paris Bourse confirm. The recipe for success or failure with Case lies not so much with the tools, as with the way they are used. So how can you be sure that you use them properly?

First, do not expect too much. Media hype convinces people that Case will let them complete bigger projects in a shorter time. This is not necessarily so. Our experience shows that productivity may drop to begin with, as staff start up the learning curve. Clearly defined Case projects, with limited objectives, are most likely to succeed. Failure to recognise that fact can lead to overruns, low morale and a disappointing end product.

Second, do not skimp on training. Everyone associated with a Case project will need some form of training. Some members of the Case team, such as the analysts, will need training not only in how to use the Case tools, but in the underlying software development methodology so they know why they are doing something. Others, such as end-users, need to know less about how to use the tools and more about how to interpret the Case deliverables, so they can be sure that the systems designed will meet their business needs.

Third, Case tools do not come with a full set of software development standards. The Case team will need to set the standards.

The last point is the need for a flexible approach to project control. For the first few projects, while staff are learning new skills and coping with the inevitable teething problems of the new Case software, the "study group" approach is best. The group ethos helps ensure that everyone uses the tools properly and is comfortable with them as part of their everyday work.

The potential is there, the guidelines are straightforward and the rewards are great, as we are sure those working on the project at the Bourse will testify.

MANAGEMENT

Water company structures

Rearranging for corporate freedom

Richard Evans and Andrew Hill examine the management frameworks being established by the UK companies to exploit their core and diversified activities

There is a lengthening collection of well-polished brass plates outside the headquarters of the 10 former regional water authorities in England and Wales as they prepare for life in the private sector.

The plates represent the subsidiary companies being set up by the newly-formed public limited companies as part of a fundamental reorganisation to take account of the commercial freedom that privatisation next month will bring. The desire within the industry to escape the shackles of the Treasury is almost tangible.

The Water Act, which prepared the ground for flotation earlier this year, provided the most significant change of all for the industry. This was the removal of water authorities' legal environmental obligations (now taken over by the National Rivers Authority) and the imposition of a fiercely economic regime under the Director General of Water Services.

Within this framework, it is up to the boards of the new plcs to decide on the structure needed to meet the challenge of privatisation, and it is the diversification plans of the larger companies that have grabbed the headlines. Groups such as Thames and Severn Trent have made little secret of their intention to expand aggressively into related areas – from consultancy to communications.

So, in the last 18 months or so, the former water authorities have stocked their boards with directors who can demonstrate private sector experience. Some City analysts are sceptical about such flexing of corporate muscle, particularly when it relates to a board's ability to move into non-core areas.

All 10 plcs have evolved a similar structure at the top, with a holding company run by a main board of executive and non-executive directors responsible for directing corporate strategy and monitoring performance.

Under this, they have all introduced a water services, or utilities, subsidiary responsible for the core activities of clean water supply and sewage disposal. It is this subsidiary that will be responsible for the vast bulk of the turnover of the companies, initially at least.

Expansion into non-core businesses is a matter of choice. It is the supply and disposal of water and the handling of a capital expenditure programme, amounting to more than £20bn over the next decade, that will be the more important test for management skills.

These are the areas in which plc executives will have to demonstrate their competence, whether or not they decide to diversify.

"The critical determinant of whether the companies are going to be able to meet shareholders' expectations is whether they can manage capital projects on time and to budget," says one fund manager. "If we got a Eurotunnel situation in one of the water companies, that would have quite severe implications for the return to shareholders."

The bigger companies have already made specific plans for developing fast out of the core businesses, which are unlikely to experience rapid growth. Others like Yorkshire and South-West Water are keener to concentrate on core activities, at least in the early years, before reaching decisions on how best to expand.

"It will be a step-by-step approach rather than a big bang" sums up the attitude of senior executives in most of the ten organisations.

Analysts appear to be broadly happy with the ability of the water company directors to run the core business. "I think many of the people with a background in the industry, particularly finance directors, stack up very well against those who have been brought in from outside," says Robert Giles of Laing & Cruickshank.

The structure at Thames Water, the biggest of the 10, is a small group plc board under Roy Watts as chairman, with three executive directors and five non-executives. Under this are three main subsidiaries, Thames Water Utilities, the core business, TW Enterprises, and, after flotation, Portals Water Treatment (PWT). There is also a small insurance company, Isis, based in the Isle of Man, and two trustee pension companies.

The acquisition of the water treatment divisions of Portals Holdings last year, which is technically dependent on a Stock Exchange listing for Thames, will increase the company's turnover by 20 per cent and is an indication of the aggressive diversification policy that Thames hopes to pursue.

David Luffrum, group finance director, comments cautiously: "Thames has taken the first step through an acquisition of some size, and it is expected there will be further developments over time."

TW Enterprises is the umbrella company run by Mike Hoffman, group chief executive, and it covers a range of subsidiaries including a plumbing service, a small US company, an international advisory service, engineering services, and a marketing organisation to exploit the possibilities of laying cabling and other services in water mains and sewers.

Severn Trent, the second biggest of the 10, wants as few companies formed as possible and has grouped divisions covering laboratory services, process plant, waste disposal, property and international consultancy under one main subsidiary, ST Industries.

"We don't want hordes of companies that are expensive to administer. We are trying to avoid a diversity of management structures," says Roderick Paul, group chief executive.

Severn Trent also owns 49 per cent of Minworth Systems, set up to develop computer control systems, mainly on the dirty water side of the industry.

Anglian Water has set up three subsidiaries under its holding company – the core business, Anglian Water Services, AW Engineering and Business Systems with 800 staff, and AW Commercial Developments.

Alan Smith, group finance director, comments: "We have established a set of criteria for non-core activities and we are adamant we will only develop these if they look right and fit in with our criteria." At present, there is an embryo plumbing service and a steel fabrication workshop within the subsidiary.

Yorkshire Water, average in size and turnover among the 10, has a similar attitude. The small five-man executive committee of the main board under its chairman, Gordon Jones, will vet all diversification proposals, and intends to proceed cautiously. It is understood that the target is 10 per cent of profits from non-core activities within 10 years, probably from organic growth rather than from acquisitions.

A significant diversification move was announced this week by Welsh Water with the setting up of an international civil engineering consultancy with Wallace Evans & Partners to begin operating next April. It will operate from offices in Wales, London, Manchester and Norwich as well as from overseas offices in Hong Kong, Spain and the West Indies.

All the plcs acknowledge that identifying business opportunities is not enough, however. High calibre management is essential to capitalise on the opportunities identified, and after yield and price many fund managers and analysts consider management comparisons one of the most important means of differentiating between the 10 companies.

But institutional investors have found it difficult to assess the quality of management because of government edicts which prevent the water plcs from marketing themselves to institutions individually.

More new blood is certain to be brought in to the privatised industry not only to provide added expertise, but also to act as a catalyst to continue the trend towards more commercial attitudes.

Over the past 15 years the water industry has shown itself capable of coping with change, but even greater challenges lie ahead.

BOARD COMPOSITION, AND BACKGROUND OF KEY WATER INDUSTRY EXECUTIVES

	Board	Executives	Chairman	CE/MD	FD
Anglian	9	4	plc	CS	water
Northumb	9	4	PS	plc	water
North W	8	3	plc	water	plc
Severn T	12	6	plc	plc	plc
Southern	8	4	plc	plc	plc
South W*	9	4	plc	–	water
Thames	9	4	plc	plc	water
Welsh	8	4	plc	water	water
Wessex	8	4	plc	water	plc
Yorks**	8	5	plc	–	water

KEY: plc – public limited company or other private sector experience; water – water industry or utilities experience; CS – civil service; PS – other public service. * Chairman acts as chief executive. ** Run by 5-man executive – no chief executive/managing director.

BACKGROUND OF ALL DIRECTORS OF WATER PLCS

	Executives	Non-executives	Total
Plc	20	26	46
Water	23	1	24
Finance/Banking	–	6	6
Public service	1	4	5
Academic/Science	–	3	3
Civil Service	1	1	2
Other	–	2	2
Total	45	43	88

WATER PRIVATISATION

John Elfed Jones, chairman of Welsh Water, and Clifford Evans, senior partner of Wallace Evans & Partners, sign the agreement which gives Welsh Water a "first in diver sification" – the purchase by a water authority of an engineering concern

Assessing the value of an improved service

Michael Skapinker reports on an argument about whether customers are being offered what they really want

If customers care about a particular service, give it to them. If they don't care, why bother?

So says Kevin Coyne, a consultant in the Atlanta office of McKinsey and Co. Many companies devote a great deal of time and money to improving customer service, only to find that the investment gives them no advantage over their competitors.

Companies need to analyse proposed investments in improved service as carefully as they would analyse an investment in product development or distribution, Coyne says. As in any other area of business, they need to find out whether customers want an improvement in the level of service offered and, if so, what aspect of service they want to see improved.

Many managers believe they can achieve superior service simply by improving the attitudes of their employees. "Ironically, these very managers often underinvest in critical aspects of service because they assume that speeches or awards are enough or because they have diffused their organisation's attention across all possible types of service improvements," Coyne says in an article published in the summer issues of both the Sloan Management Review and the McKinsey Quarterly.

Companies sometimes follow up this general attempt to improve service by measuring their customers' response. Coyne argues, however, that they seldom do so in sufficient detail to tell them whether they have improved service in the way that their customers wanted.

Coyne believes that encounters between companies and customers fall into three categories, each requiring a different approach to service. They are:

● Environmental service encounters. These are services which customers only notice when they are performed badly. Examples are the cleanliness of a hotel room and picking up luggage after a flight. "The key customer need here is that the service be performed satisfactorily without the customer needing to be consciously aware of it," Coyne says.

● Transactory encounters. These are routine encounters between the customer and the provider of the service. Examples are asking whether a shop sells a particular item or paying for goods at a supermarket. The customer expects to put in little effort in effecting the transaction and expects the producer to perform the service perfectly and without any fuss.

● Assistance-based encounters. Here, customers expect to put in more effort to make their needs known. In return, they want the assurance that they are dealing with someone competent and trustworthy. An example would be a garage repairing a customer's car.

Companies which fail to distinguish between these encounters can end up either failing to serve their customers or irritating them.

On the other hand, customers are likely to be irritated by shop staff who launch into a lengthy sales pitch when they are asked a simple question. All customers want here is a polite and well-informed reply.

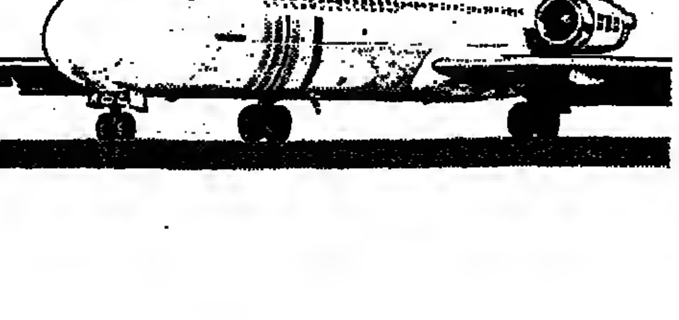
Companies need to ascertain what their customers feelings are about these various encounters and how they compare with those of their competitors. It might be that an area of service a company is trying to improve is already satisfying the customers.

One bank in the US invested a large sum of money to reduce the waiting time in queues from six to three minutes. Their customer satisfaction ratings did not change. The customers thought six minutes was acceptable. There might have been other areas of the bank's service which they would rather have had improved.

Federal Express, on the other hand, saw that customers would value a reduction in the time taken to deliver packages and benefitted from it.

"Companies must see service decisions as resource allocation decisions, just as product decisions and distribution decisions are," Coyne says.

A decision to shine in one particular, well-defined area might be worth more to customers than a generalised, fuzzy decision by companies to improve their service, Coyne argues.



ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
13	14	15	16	17	18	19

MUSIC

London

The London Philharmonic conducted by James Loughran, with John Lill (piano). Mendelssohn, Elgar, Beethoven, Britten. Royal Festival Hall (Fri) (928 8800).

City of Birmingham Touring Opera in the first London performance of *Ghanashyam*, a mixture of music, song and dance by Ravi Shankar. Director Graham Vick. Queen Elizabeth Hall (Thur) (928 8800).

Paris

Ensemble Orchestral de Paris conducted by Armin Jordan with the Vittoria d'Ile de France choir conducted by Michel Piquemal. Haydn's Creation (Tue). Salle Pleyel (45638873).

Orchestre de Paris conducted by Sian Edwards, Rafael Orozco, (piano). Tippett, Liszt, Janacek (Wed, Thur). Salle Pleyel (45630796).

Brussels

Liège Philharmonic Orchestra conducted by Pierre Bartholomee, with Ikuyo Nakamichi (piano). Bartok, Brahms, Chopin Palis des Beaux-Arts (Sun).

Tokyo Philharmonic Orchestra conducted by Tadaaki Otaka, with Yuzuko Horigorne (violin). Dvorak, Shostakovich and Yoshimatsu. Palis des Beaux- Arts (Tues).

Amsterdam

Netherlands Philharmonic Orchestra with Dong-Suk Kang (violin), Ken-Ichiro Kobayashi conducting. Saint-Saens, Berlioz (Sat, Mon). Concertgebouw (718 345).

Academy of St Martin-in-the-Fields Octet with Emmy Verhey (violin). Schubert, Mendelssohn (Wed). Beurs van Berlage.

Utrecht

Shura Cherkassky (piano). Handel, Weber, Chopin, Berg, Tchaikovsky, Strauss (Wed). Vredenburg (31 45 44).

Rotterdam

Melos Quartet with Francois Guye. Schubert (Tue). Doelen (413 2490).

Madrid

Bamberg Symphony Orchestra. Part of this year's Madrid Autumn Festival. Horst Stein conducts, with Gary Lakes (tenor). Wagner (Fri). Auditorio Nacional de Musica (337 01 00).

Mstislav Rostropovich (cello) plays Strauss and Bruckner (Sat). Auditorio Nacional de Musica (337 01 00).

Rheinland Pfalz Philharmonic Orchestra and Stuttgart Philharmonic Choir conducted by Miltiades Caridis, with Elisabeth Richards (soprano), Erika Schmidt-Valentin (contralto), Volker Horn (tenor), Waldemar Wild (bass). Beethoven programme (Wed). Auditorio Nacionalde Musica (337 01 00).

Rome

Rodolfo Bonucci (violin) and Bruno Canino (piano) playing Petrassi, Brahms, Stravinsky and Ravel (Wed). Teatro Olimpico (393304).

Milan

Pittsburg Symphony Orchestra conducted by Lorin Maazel. Tchaikovsky, Beethoven (Mon). Teatro Alla Scala (80.91.26).

New York

Carnegie Hall. Andras Schiff *piano recital. Haydn, Janacek,* Bartok, Schubert (Thur) (247 7800).

New York Philharmonic Orchestra conducted by Leonard Bernstein. Copland programme (Thur). Avery Fisher Hall (874 2424).

Camerata Bern. Emile Naumoff (piano). C.P.E. Bach, J.S. Bach, Schoenberg, Kodaly, Holliger, Dowland (Thur). Alice Tully Hall (874 6770).

Washington

Cleveland Orchestra conducted by Christoph von Dohnanyi, with Ralph Kirshbaum (cello). Maxwell Davies, Weber, Tchaikovsky (Wed). Kennedy Center Concert Hall (467 4600).

EXHIBITIONS

London

The Hayward Gallery. Andy Warhol – two years after his death, a comprehensive retrospective of the career of this seminal yet ambiguous and still controversial artist, since he turned in painting from graphic design in the early 1960s. Sponsored by BP. Daily until November 5.

The Royal Academy. Gauguin and the *School of Pont Aven* – a fascinating study of the prints made in the 1880s and 1890s by the loose society of artists that came together at Pont Aven in Brittany, of which Gauguin was the leading but not necessarily, at the time, the outstanding figure. A handful of related paintings is shown, and there are outstanding groups of prints by Emile Bernard, Armand Seguin and the Irishman, Roderic O'Conor, among several others. Sponsored by Banque Indosuez and W.I.Carr. Daily until November 19.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. There are cubist *flat planes decomposing* reality next to the fulness of neo-classical figures, there is the almost sugary rendering of the mother and child theme next to the cruelly distorted female faces, there are all the facets of Picasso's inventive genius.107, Rue de Rivoli (42608214), closed Tue. Ends December 31.

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends Jan 14 (40613838).

Musée Rodin. A delightful 18th century townhouse – Hotel Biron – contains the life work of Auguste Rodin, whose powerful genius opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac, draped inhis cloak, defies time. 77, rue de Varenne. Closed Tue.

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, *objets d'art* and photographs from the end of the romantic period in the beginnings of modern art and the impressionist and post-impressionist collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity. Entrance to the museum is at 1, rue de Bellechasse (45494814). Closed Mon.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherhood. Ends Nov 19 (026-223978).

Brussels

Palais des Beaux-Arts. The Human Figure: millennia of Japanese art – an overview of Japanese art from 3000 BC to the 19th century which opens Wednesday and ends Nov 26.

Musée Bellevue. Takakura costumes from the Imperial court. Closed Friday. Ends November 16.

Musées Royaux d'Art et d'Histoire. Namban Art, Japanese art works influenced by contact with Portuguese traders. Closed Monday. Ends Dec 17.

Le Musée de la Bande Dessinée, the Belgian comic strip centre, has just opened in a beautifully restored Art Nouveau store designed by Victor Horta. Banks of original sketches and a superb bookshop await "Bedeomanes", while on the top floor is a multimedia installation by five Japanese architects (part of the Europalia festival). Horta fans will take delight in the building itself. 20 Rue des Sables. Closed Monday.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens theautumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Palacio de Velazquez. 22 paintings and 20 drawings and engravings by Sean Scully, one of the most important figures in the new generation of abstract artists. Ends Nov 19. Closed Mon.

Barcelona

Fundacion Caja de Pensiones. International art. Exhibition of contemporary art from the museum's holdings acquired since1965, including works by Forg, Huber, Mucha, Deacon, Kiefer, Polke, Cucchi and Merz. Closed Mon.

Palacio de la Virreina. From Revolution to Perestroika.100 Soviet works from the Ludwig collection – the mostcomprehensive outside USSR. Paintings, drawings and sculptureof artists from two different periods: historic vanguard upto 1930 and contemporary art. Ends Nov 30.

Bonn

Beethovenhalle Bonn. 50 portraits of Beethoven by the American pop artist Andy Warhol. In addition to the Bonn Beethovenfest, an Andy Warhol exhibition is taking place until October 1.The Bonn gallery owner Hermann Wuensche commissioned these Beethoven portraits from Andy Warhol for Bonn's 2,000th anniversary. After a year of intensive study of Beethoven, he completed a series of coloured graphic works before he died last year. They are based on the 1821 original, by K.J. Stieler, showing the composer aged 48.

Berlin

Bruecke Museum, Bussardsteig 9. A Franz Marc retrospective with 180 drawings and aquarelles (1880-1916) most of the German expressionist painter's works, can be seen for the first time until Oct. 29. His famous hand-coloured print of two horses, one blue coloured the other red-black, with a red, blue, yellow and green ground, was published in a luxury edition of the almanac Der blaue Reiter.

Munich

Städtische Galerie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 privateand public collections. After the Kirchner andHeckel exhibitions, this is the third significantproject from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Bonn

Städtisches Kunstmuseum, Rathausgasse 7. Glanzlichter, 40 years of government support for art. This exhibition shows for the first time selected works of art from 11 centuries and *attempts to present an impression* of all aspects of culture during this period, with the help of government, foundations and private sponsorship. Works by Albrecht Dürer, Wolf Huber, Antoine Watteau, Heinrich Vogeler, Max Beckmann and Meissen porcelain are on display.

Vienna

Secession. The highlight of the next few weeks will be the 100th anniversary of the birth of Ludwig Wittgenstein, the philosopher, architect and craftsman who until recently had not been appreciated by his fellow countrymen. The indomitable staff at the Secession, the wonderfully renovated gallery where Vienna's radical and anti-establishment artists set up their workshop at the turn of the century, finally raised the funds to organise this long overdue exhibition. Ends October 29 and *not to be missed.*

The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of *Europe. Until November 15.*

Venice

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

San Giorgio Maggiore: Hogarth – a beautifully chosen study of the life's work, prints, drawings and paintings, of the first great English artist of the 18th century, William Hogarth, organised jointly by the Cini Foundation in Venice and the British Council. Hogarth has never been shown abroad before, and this master of the picaresque and social satire could hardly be seen in greater advantage than in the city of the Carnival. Until November 12.

Mantua

Palazzo Te, Fruttiere di Palazzo Te, Reggia Gonzaghesca. A vast exhibition devoted to Giulio Romano, Raphael's favourite pupil, who spent the last 20 years of his life in Mantua, producing masterpieces of architecture, painting, engraving and fresco. The Frescoes of Palazzo Te have been restored, and one of the results has been proof that Giulio did more and his pupils less of the decoration, than had previously been thought. The results of studies made over several years, under honorary president Ernst Gombrich are on show in the fruttiere, and tend to show the artist as an even greater architect than painter. Also at the fruttiere are paintings lent by foreign museums: "The birth of Bacchus", from the Getty "allegory" from Detroit, and "Madonna with Child", from the Heim Gallery. Ends November 12.

Florence

Forte di Belvedere. African Art: The Roots of Modern Art. One hunded and fifty sculptures, mainly in wood, produced by 66 different tribes spread through central, western and southern Africa. The works, lent by 12 major museums and 21 private collections, date for the most part from the last two centuries, but with an introductory section containing works from the third century BC.

New York

Whitney Museum. A special exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

Centre for International Contemporary Arts. A new New York institution with the goal of cataloguing curatorial information about artists around the world opens appropriately with a retrospective of Japanese artist Yayoi Kusama. 57th & Fifth Av.

Washington

National Gallery. A major international collaboration showing the major works of Frans Hals outside the Netherlands for the first time starts here with more than 60 paintings; *next year it* travels to the Royal Academy in London and the Frans Hals museum in Holland.

Chicago

Art Institute. Fixing the Shadow shadows the history of photography at its 150th anniversary. *Of* the millions of possible contributions, the exhibit focuses on 400 pieces by 200 photographers organised chronologically.

Tokyo

Teien Museum. *400 Years of Edo/* Tokyo. When the shoguns moved the seat of power to Edo in 1590 it rapidly became one of the world's largest cities. Works in this small but exquisite exhibition celebrating the city's arts and crafts range from scroll paintings and prints to porcelain, swords and a stunning *kimono* embroidered with wisteria. Closed 2nd and 4th Wednesday each month.

Suntory Museum. Japanese Textiles. A selection of fine works from a prominent American collection – ranging from elaborate kimonos and theatrical costumes to simple firemen's coats and other specialised garments. Closed Mondays.

OPERA AND BALLET

London

Royal Opera, Covent Garden. The latest revival of the 1975 *Peter Grimes* brings a promising cast of newcomers – Philip Langridge in the title role, Felicity Lott, Donald McIntyre, Sarah Walker and Stuart Kale – and Roger Norrington as conductor. *Die Walküre*, in the production by Götz Friedrich adapted from his Berlin staging, is distinguished above all by Bernard Haitink's magnificent conducting, and the vocally unsurpassable Wotan of James Morris. The Royal Ballet performs *La Bayadère* on Friday October 13, and brings in its over-complicated *Swan Lake* on Thursday Oct 19.

Paris

Théâtre des Champs Elysées. *Der Rosenkavalier* is performed by the Paris Opera Orchestra, conducted by Georg Schmoebe in a new production, co-produced by the Théâtre Des Champs Elysées, the Montpellier Opera and the Nantes Opera (47209637).

Amsterdam

Muziektheater. The Netherlands Opera with *Ariane et Barbe-Bleu* by Paul Dukas, directed by Philip Brunt, with the Netherlands Philharmonic conducted by Henry Lewis. Kathryn Harries and Roger Royer in the title roles. The National Ballet with a Frederick Ashton programme of *Midsummer Night's Dream* and *Symphonic Variations* (255 455).

Hamburg

Opera. *Der Troubadour* has a first-rate cast led by PieroCappuccilli, Linda Plech, Ruza Baldani, Giuseppe Giacomini and Eliero d'Artegna. *Peer Gynt* has wonderful John Neumeier choreography. *Die Frau ohne Schatten* is revived with Carmen Reppel, Robert Schunk, Julia Juon, Ute Vinzing, Franz Grundheber and Harald Stamm. Also *Magnificat*, another ballet with choreography by John Neumeier.

Berlin

Opera. *Arabella*, the new production by Gernot Friedel is expertly conducted by Guiseppe Sinopoli with Lucia Popp outstanding in the title role. Guest appearance of the Tokyo ballet. *Zar und Zimmermann* has fine interpretations by Barbara Scherler, Andreas Schmidt and Peter Maus. *La Bohème* in Götz Friedrich's production is sung by Eva Johansson, Gwendolyn Bradley, Andreas Schmidt, Salvatore Fagonese and Manfred Roehrl.

Munich

Opera. Mezzosoprano Brigitte Fassbaender is the producer of *Der Rosenkavalier* with Judith Beckmann, Susan Quittmeyer, Jan-Hendrik Rootering and Hans Helm, conducted by Heinrich Hollreiser. *Adriana Lecouvreur* stars Margaret Price, Bruna Baglioni, Alberto Cupido and Angelo Romero. *Il Barbiere di Siviglia* features Julie Kaufmann, Cornelia Wulkopf, Claes H. Ahnsjoe. *Onegin*, choreographed by John Cranko, is revived. *Elektra* is sung by Hildegard Behrens.

Bonn

Opera. Last season's successful *Madame Butterfly*, produced by Marco Arturo Marelli is revived with Keiko Kamegawa, Chieko Shirasaka, Lando Bartolini and Ludwig Baumann. Also *Spartakus*, the new ballet production, choreographed by Bonn's director Yuri Vamos.

Frankfurt

Opera. *Behind the China Dogs* jointly choreographed by William Forsythe and Amanda Miller returns. *Ein Sommernachtstraum*, produced by the East German Thomas Langhoff is sung by Andrey Michael, Jochen Kowalski and David Bennett. Monsieur Beaujolais and his group play three one act pieces by Jaques Offenbach.

Cologne

Opera. *Die verkaufte Braut* is a well done repertoire performance. *La traviata* has a strong cast led by Janice Hall, Fernando de la Mora and Wassili Janulako. *La Cambiale di Matrimonio/Il Signor Bruschino* feature John del Carlo, Teresa Ringholz, Janice Hall, David Kuebler, Alberto Rinaldi and Carlos Feller.

Madrid

Madrid Autumn Festival. Sala Olimpia. Musical version of *King Lear* performed by the Kathakali group from Kerala, India. Shakespeare's words substituted by music and dance, thus recovering the atmosphere and style of India's ancient theatre. Directed by Annette Leday and David Macruvie. Ends Oct 22 (227 46 22).

Barcelona

Gran Teatro del Liceu. National Ballet of Cuba performing *Giselle* (Act 2), *La Diva* (Maria Callas inmemorium), *Don Quijote*, *Swan Lake* (Act 2) and *Dionaea*. Artistic director is Alicia Alonso. Until Oct 22 (318 91 22).

Rome

Teatro dell'Opera. A revival of Jean-Pierre Ponnelle's delightful production of Rossini's *L'occasione fa il Ladro* done for the 1987 Pesaro festival, conducted by the violinist Salvatore Accardo. The cast is excellent, led by Luciana Serra. (46.17.55).

New York

Metropolitan Opera. Franco Zeffirelli's new production of *La Traviata* features Edita Gruberova and Neil Shicoff. The week also includes Christian Badea conducting *Aida* in Sonja Frisell's production with Maandra Marc, Stefania Toczyska and Giorgio Lamberti, as well as *Porgy and Bess* conducted by James Levine and Teresa Stratas in Puccini's *Il Trittico* (*Il Tabarro, Suor Angelica*, and *Gianni Schicchi*), conducted by James Levine. Opera House Lincoln Centre.

Seamy side of Degas

Susan Moore reviews the exhibition at the Tate Gallery, Liverpool

Degas's great subject was women. Over three quarters of the artist's output represents the female form. His obsessive scrutiny has been seen as evidence of a profound sympathy with the female condition. For others, his harsh and at times grotesque realism is seen as the cruelty of the misogynist. In what, surprisingly, is the first exhibition devoted to Degas's images of women, at the Tate Gallery in Liverpool (until December 31), we are invited to consider not so much whether he was a woman-hater or no, but his view of women as coloured by contemporary science, and social – as well as sexual – discrimination.

Sadly, there are less than 50 bronzes, oils, pastels, drawings and prints to illustrate such a major – and contentious – theme, and they are culled exclusively from British collections. But what Richard Kendall's exhibition lacks in size, its catalogue makes up in content. Recent research has suggested that Degas consciously aligned himself with the scientific endeavour of the age. It was one way to ensure the modernity of his subjectmatter – and, indeed, his exploration of women was the visual equivalent to the novels of Flaubert, Zola and the Goncourt brothers. Kendall proposes that by obsessively recording the mood, dress and gesture of every kind of woman – girl to grandmother, high life and low life, – the artist was attempting to collect and record and classify the species. His aim, presumably, to arrive at some quintessence of womanhood.

It is argued, too, that his technical experimentation and visual innovation was intimately related to the social standing of his subject. Women of the *haute bourgeoisie*, social equals, be depicted with due decorum and respect. He did not take the kind of formal liberties with their pictures that he took with *Miss Lala, hanging by her teeth* at the Cirque Fernando, and viewed, suggestively, from below and close to. Dancers, singers, laundrymaids, shop girls and prostitutes are not granted the dignity of individual personalities. Arguably, the bourgeoisie is hardly more fairly treated. Oil was the media for family and friends. Monotype was reserved for the brothel.

In a fascinating essay on the bronze *Little Dancer of 14 Years*, Anthea Callen relates the ballerina's purposely exaggerated profile to contemporary theories of physiognomy and biological degeneration, and to the supposed relationship between virility and bestiality in the lower, criminal classes. Dancers were generally working class, and presumed to be of easy virtue. The "immodesty" of this girl's thrusting jaw, and the implications of her sloping, simian cranium, were not lost on the critics of the day.

Intriguing too is the question of Degas and photography; the relationship of the brothel monotypes to late 19th century erotic photographs, and the artist's almost cinematic sequences. The series of small bronze dancers arranged here seem to complete the movement of a single arabesque. Eadweard Muybridge's innovative photographs of animal locomotion have been given as sources to a number of Degas's images, including the bronze dancer putting on her stocking. The contorted pose, quite difficult to read, of *The Bath, Women seen from Behind* is linked to a sequence Muybridge shot of a nude woman ironing. One of the preparatory

'Resting on the Bed' c. 1879 by Degas

drawings for this most extraordinary pastel is signed in two places, indicating that the woman could be viewed vertically or horizontally. Degas has chosen the latter for his ends, and there could be few better examples of the "artifice" of his so-called realism.

His obsession with repeating and reworking poses in no more evident than in these glorious late bathers – executed in bronze, pastel, charcoal, lithograph and monotype. Some are audacious – like the bronze girl seen in her tub, others are of extreme delicacy. Their debt is as much due to the art of the past – the nude torso seen from behind, from Delacroix in particular – as to the newly invented reproductive processes of the present. Who these women were, what the artist thought of them and why he chose to record them "like cats licking themselves," must remains as much of an enigma as they were to Degas's contemporaries.

Singer

SWAN THEATRE, STRATFORD-UPON-AVON

Antony Sher returns to the Royal Shakespeare Company to renew his protean series of misplaced aliens, only this time in a new play, the first to be presented in the Swan. There are traces of Malvolio, Shylock and Vindice in the portrait of Peter Singer, an Auschwitz survivor who falls to ground in Slough, makes a fortune in slum dwelling racketeering, disappears, supposed drowned, in a Hampstead pond and is resurrected as an art dealer and Good Samaritan, key cog in the Thatcher Government's urban renewal programme.

Peter Flannery's impassioned cartoonery has the epic feel of a mid-1970s RSC Warehouse play. But the skeleton is fleshed out by Terry Hands's noisily distinctive production and the performances of Sher and his fellow concentration camp survivors, Mick Ford as his bleating nephew, and Malcolm Storry as the violently abused Dusseldorf dreamer of dumplings. The great trick is to write about England in the double focus of the immigrant urge to prosper while Rome burns.

In this, the play is similar to Brenton and Hare's *Pravda*. But whereas the newspaper proprietor there was an avenging colonial, the figure of Singer, a Polish Jew from Lvov, embodies much deeper ideas of national identity defined through action and recognition.

Flannery acknowledges the influence of Primo Levi's work. But the theme also corresponds exactly to the central drift of Sher's amazingly sharp-etched novel *Middlepost*. Singer's citizenship papers come through as the gutter Press jump on his hard won reputation ("Jewish Slum King in Sex Romp Vice Ring"). Progressing from the freezing cold of Auschwitz, where he traded children for survival, Singer has set up shop in a Notting Hill telephone booth dealing in stockings and frying pans.

Exploiting the local market in "schwarzers and tarts" he fixes mortgages on apartment blocks, outstrips the capitalist establishment at their own game, and throws parties where he seduces partners'wives and relishes his research into Anglo-Saxon antecedence.

The story loosely corresponds to that of Peter Rachman in the Macmillan era, who notoriously shared a girlfriend with John Profumo, the disgraced War Minister. In the far less satisfactory second half, Sher's Singer, who starts deriding a footling fringe musical about the concentration camps, becomes the reformed Profumo. Even more tendentiously, the contemporary Lower Depths of the cardboard village on the South Bank is proffered as a social analogy of the death camps.

The evening is by now only held together by the central trio, whose scenes are a series of impassioned disquisitions on the nature of suffering and the calling of names. Literally blow for blow, Malcolm Storry's walking catalogue of grief and sorrow matches Sher every step of the way. And Mick Ford as the assimilated photographer finds new modulations of rasping depair. The support cast, including Russell Dixon, Jane Maud, Mark Williams and Amanda Harris, is admirable, full of vim and commitment.

The evening is really two plays in one. Sher, shaven-headed, glinting, ferocious and exact, gives an extraordinary display of arriving at the same point twice, from drastically different angles. But what does the play say? That your worth as a human being is only equivalent to the quality of your experience. I disagree with this, but recognise the heroic, but partially successful, attempt in its dramatisation.

Michael Coveney

Antony Sher

Hamlet

GATEWAY THEATRE, CHESTER

Chester's Gateway, I have noticed before, is no ivory tower but part of the community. The good-sized audience for *Hamlet* on Wednesday night included parties of schoolchildren whose quiet attentiveness puts most of their elders among London playgoers to shame.

The theatre gathers support from a wide range of local businesses and institutions, and Shakespeare is currently sponsored by Shell Chemicals. But a tiger in the tank is sorely needed for the three and a half hour plod that Angela Langfield's direction makes of the tragedy.

Interest focuses on the Prince as essayed by Greg Cruttwell, a promising young actor whose perceptiveness and intelligence have been noted in Hampstead, Greenwich, Southampton and other outposts of new drama. This is an adolescent Hamlet who smoulders, sulks and slouches – except when he marches to the front of the stage for "To be or not to be" in the middle of the King/Polonius/Ophelia scene.

The production in general contents itself with moving the characters a few paces left or possibly right, or leaving them standing in a stilted and self-conscious row.

Mr Cruttwell gets little help therefore in his mammoth undertaking. Like some others in the cast, he speaks with the classless crypto-Cockney of the King's Road ("I shall not look upon 'is like again") which is more appropriate for future membership of the RSC than playing Shakespeare (no longer synonymous).

Sardonic wit is missing until his exchanges with Rosenkrantz and Guildenstern after the play scene. There is plenty of rather generalised anger, some gabbling, and nothing more than skin-deep.

A shame, since Juliet Watkinson (set) and Sue Pearce (costumes) deck the production worthily. Elizabethan, though not elaborately so, the characters waste a fine design of stepped catwalk, stairs and rope handrails, dominated by astrolabes and a globe to emphasise the physical no less than spiritual disorientation of Renaissance man – the programme fascinatingly notes that the astronomer Tycho Brahe was the best-known Dane in Elizabethan England. The set cries out to be used.

The distaff side is strong. Gertrude is an infallible part; no matter how silly, weak or vicious, she always wins a certain sympathy by the bedroom scene. Anything else is a plus; and Avril Clark brings quite a few bonuses in the shape of the glamorous presence of a natural sensualist with a husky purr of a voice.

In her first professional role Bridget Davison is an extremely promising Ophelia, her pathos beautifully judged. The rest are adequate. It may be a judgement on the production that another professional debutant, Michael Matus, makes such a positive figure of Guildenstern. He reacts in character when others are speaking, looks at home on the stage, and stands like an Elizabethan courtier rather than, as in the case of some of his colleagues, late 20th-century young actors whose function has not been clearly explained to them.

Martin Hoyle

Thomas Allen

COVENT GARDEN

It was brave of Thomas Allen and Geoffrey Parsons to choose for their latest Covent Garden song recital a programme entirely composed of English songs – airs and ballads from Purcell to Quilter and Ireland, with a large measure of folk-song arrangements thrown in. Neither in substance nor in style could it be called a go-getting selection, and not even a singer of Mr Allen's eminence and popularity could wholly fill the house for it.

But it was clearly addressed to the audience as a labour of love – the baritone wrote some of the programme notes – and it was received in the same spirit. The mood, for most of the concert, was subdued, reflective, undemonstrative. Purcell's rousing "I'll sail upon the Dog Star" and later, Warlock's rollicking "Yarmouth Fair" were the exceptions to the rule proposed by such as Quilter's Shakespeare or Elizabethan settings: good manners, a decorous euphony in the blend of voice and piano parts nothing egregiously graphic or picturesque by way of image or gesture.

It has to be said that after a while the dangers of monotony began to come a little close for comfort. A more judicious leavening of the mixture with those racy ballads – "The Lass of Richmond Hill," "Billy Boy," "The Foggy Foggy Dew" – which called on Mr Allen's gloriously wicked comic glint and masterly narrative gifts might have solved the problem. Planted before the red velvet curtain the singer delivered his gentle, well-modulated sentiments in a beautifully sustained legato, seldom rising above *mf*; yet again in a Covent Garden recital one had the impression that vocal colour and texture were being hoovered up into the backcloth – a case for an acoustically reflecting screen wrapped round piano and voice, surely.

Even so, the pleasure of hearing Mr Allen singing with such comprehensive variety and resourcefulness in his native tongue was still uninterrupted. As an artist he can sound a note of simplicity that comes from the heart and pierces to the listener's core – "Afton Water" and "Tom Bowling" in the second half both made direct hits. The voice seemed not quite in mint condition, yet the beauty of the lyrical focus on his material was unscathed. And when he gave us part of the soliloquy from *Billy Budd*, the shock of great music and its spellbinding performance helped to place the whole concert in a useful perspective.

Max Loppert

The Creation

QUEEN ELIZABETH HALL

The plunge into the musical depiction of chaos which opens *The Creation* is an arresting way to start a mini-festival devoted to the music of Haydn. Between now and the beginning of December the "Haydn Series" on the South Bank will be presenting eight major late choral works – marvellous pieces all.

The series will feature the Orchestra of the Age of Englightenment throughout, but with a variety of conductors. The opening concert on Wednesday fell to Charles Mackerras, whose long interest in the history of musical performance makes him an ideal crossover figure to the world of period instruments. This account of *The Creation* typically broached new ground in the edition used and its adoption of decorations annotated in early editions of the score.

One might in advance have been excused for thinking that period performance practices would have a less striking effect on this oratorio than it has had on, say, the Passions of Bach. But that is to underestimate the zeal with which Mackerras applied himself to the work, catching its spirit of unabashed good humour from the beginning and driving the music along at an exhilarating pace.

It is unlikely that some of these choruses have ever been pushed along so fast and one sensed that the Choir of the Enlightenment were just about hanging on in the faster passagework, fine though their focus of sound and ensemble generally were.

The speed of the two soprano arias might also have incommoded some singers, but Lynne Dawson responded with marvellously invigorating singing, borne along on a flow of beautiful tone. Altogether this was a good trio of soloists, with the tenor Anthony Rolfe Johnson outstanding in the vivid way he brought the German text to life, especially in the recitatives. In the bass solos David Wilson-Johnson sounded too much a baritone, too little a bass, and the voice lost intensity when he was singing quietly; but there was compensation in his lively sense of humour. I have always loved the piece, but have never felt it more joyful and entertaining than it was here.

Richard Fairman

Il Ritorno d'Ulisse in Patria

THEATRE DU JORAT, MEZIERES

Mézières is a most unlikely place for a theatre. You reach it by taking one of those long, tree-lined country roads along the secluded valleys in the hills far above Vevey in western Switzerland. At first glance, the village is no different from any of its neighbours – you could be anywhere in the Haute Savoie, were it not for the prim Swiss tidyness – but it has the distinction of possessing its own incomparable theatre.

In 1908, René Morax and his two brothers, each of them actively involved in the arts, had the inspired idea of building an all-wood theatre in Mézières, to house summer performances of popular and religious drama. A production of Gluck's *Orfeo ed Euridice* in 1911 (with the young Ernest Ansermet playing timpani) proved that the 1060 seat auditorium was also suitable for opera. Known as the Théâtre du Jorat or "la grange sublime," it has the external appearance of an enlarged Alpine farmstead, in total harmony with its surroundings.

The interior is of the utmost simplicity, with perfect sight lines to the stage, an excellent acoustic and hard bench seating. The stage has sliding wooden doors, and there is barely enough space in the pit for a reduced chamber orchestra. During performances, the atmosphere is intimate and immediate, but the interval is more like a rustic fête, with refreshments served in a no-frills marquee. There is no heating, so a coat or pullover are not out of place after the interval on September evenings.

Over the years the only change has been the introduction of a few discreet stage lights. Opera was a rarity until the arrival of Renée Auphan four years ago as director of the Opéra de Lausanne. Following the resounding success of Monteverdi's *Poppea* in 1987, the company now decamps to Mézières each summer. Gluck's *Orfeo* was given last year, and this year it was Monteverdi's *Il Ritorno d'Ulisse in Patria*. One could imagine Mozart, Britten's chamber operas or the Honegger and Martin stage works fitting the theatre equally well.

The conductor of *Ulisse* was Michel Corboz, who used the edition by Gian Francesco Malipiero, orchestrated by Xavier Bouvier. There were just 12 instrumentalists, including harpsichord and two recorders, with the secco accompaniment shared between chamber organ, lute and viola da gamba. The effect was to preserve the music's simplicity and clarity of texture, while maintaining a precise rhythmic buoyancy. It was by far the most truthful and spirited response to this music that I have heard.

Most of the cast were young French or French-Swiss singers with budding international careers, chosen by Corboz for their vocal evenness and purity. As Ulisse, François le Roux gave a performance of depth and expression. Brigitte Balleys as Penelope sang beautifully, but was so immersed in the character's tragic circumstances that she missed the element of feminine vulnerability. Guy de Mey, Colette Alliot-Lugaz and Francis Dudziak were excellent as Eurimaco, Melanto and Eumete. comic relief was provided by Valentin Jar as Iro, and by Steven Cole, Jacques Bona and Andrew Dalton as the three suitors.

The staging by Jean-Claude Auvray, with representational decor by Bernard Arnould, was set within the framework of a contemporary Greek community, where the villagers gather for an evening of street theatre, find themselves spontaneously identifying with the characters from Homer's tale, and start re-enacting it on an imaginary stage. It was one of Auvray's characteristically risky production concepts, but one that was fully justified by the way it was executed. The lively acting and ensemble work made for a well-told, clearly-delineated entertainment. The primitive stage facilities had clearly forced the production team to concentrate its ideas. Once again, Mézières seems to have been a source of inspiration to everyone working there.

Andrew Clark

ARTS GUIDE

October 13-18

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 2428).

A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. An interesting, enjoyable, unfairly derided experiment (928 7616, cc 240 7200).

The Master Builder (Barbican). Magnificent RSC revival of Ibsen's late poetic drama of lies, deceptions and misrouted sensuality. John Wood is the first great Solness since Redgrave, then Olivier, played it in London. Adrian Noble directs, Richard Hudson's tilting roofs chart the aspirations and final dramatic plunge. (638 8891).

The Tempest (Barbican). John Wood's other great performance this season with the RSC is his Prospero in Nicholas Hytner's production, a towering, intemperate impresario whose magic is an instrument of both revenge and resolution. (638 8891) Oct 20-24, Oct 30, 31.

Veterans Day (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6300).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of e three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Washington

A Few Good Men (Eisenhower). One of the few new, contemporary dramas headed for Broadway gets its world permiere in Washington, in this story of a military cover-up. Ends Oct 29. (467 4600)

Chicago

The Misanthrope (Goodman). The first production of the season exchanges Moliere's France for contemporary Hollywood in a new adaptation by Neil Bartlett, directed by Robert Falls with David Darlow playing Alceste. Ends Nov 4 (443 3800).

Driving Miss Daisy (Briar Street). The touching relationship between a dowager and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life. (988 9000).

SALEROOM

Lure of the Levant

Henry Myron Blackmer II was an American stockbroker who in 1963 exiled himself to Athens, to a house close to the Acropolis. There be bought, with modest means, books, prints and drawings about the Levant, the Levant in the days of the Ottoman Empire. Blackmer died last year and Sotheby's is selling off his library over three days and six sessions. It expected to raise £1.5m but at the half way stage has already brought in £2m.

A feature of the sale is the number of private buyers beating off the dealers, many visiting the saleroom for the first time. Yesterday a private Middle Eastern collector paid £71,500 for a collection of 12 watercolours of Constantinople and the Bosphorus drawn by Clara Mayer around 1790.

Hancarville'a catalogue of the collection of antiquities assembled by Sir William Hamilton, British Ambassador in Naples and husband of Nelson's Emma, went for £39,600, double its estimate. Hamilton ordered an edition of 500 copies, published in 1766-67, and it was an important influence in the revival of interest in classical art. Another beautifully illnstrated book, by Mouradja d'Ohsson, an Armenian, with over 200 plates depicting the Ottoman Empire in the late 18th century, sold for £24,300, as against a £4,000 top estimate.

In contrast the auction of Khmer, Thai Indian and Himalayan art had its problems, totalling £456,280 with over 36 per cent unsold. This is always a difficult market: Indian art has never achieved the prices of Chinese. The top price was the £46,200 which secured an eastern Indian buff sandstone column relief depicting two lovers on a lotus throne, probably carved in Bhubanesvar around 1100 AD.

A Thai bronze figure, 63 cm high, of Buddha of the 14th century, sold for £22,200 and a Tibetan Buddha, 51 cm high, of a slightly earlier period in copper gilt made £19,800. An Indian female figure in white marble, a stele of the 10th century, possibly a ceiling strut in a temple, was below target at £17,600.

English furniture is still in demand judging by Christie's sale, which totalled £345,521 with 9 per cent unsold. A pair of George III mahogany dining room pedestals, 173 cm high, doubled their estimate at £15,400, as did a William IV plane (lacewood) writing table. A William IV mahogany six leaf dining table, 393 cm long, also did well at £9,020, confirming that early 19th century furniture is appreciating in price as Georgian becomes scarce.

Antony Thorncroft

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Friday October 13 1989

Bloodied, but unbowed

MR NIGEL LAWSON'S prime task yesterday was political. It was also delicate: he had to offer hope to the faithful without upsetting the financial markets. No policy initiatives could sensibly have been expected in the circumstances and none were forthcoming. To judge by the reaction of his audience and of the market place, he handled the job reasonably well. Both the Tories and the City of London seemed in a resigned mood when he sat down, but one group cheered while the other kept quiet.

His speech was a reaffirmation of the fundamental values of Thatcherism. It opened with a quick jab at the need to control public spending – "as vital as it ever has been" – and emphasised throughout the willingness to pay whatever price might be necessary to curb inflation.

"There is no alternative" to high real interest rates, cried Mr Lawson without a blush, having no doubt sensibly decided that any reference to the European Monetary System would have been counter-productive while the Prime Minister was sitting within camera shot at his elbow.

Ruled out

Allowing for the non-appearance of this great unmentionable, the Chancellor said what he had to. His attack on credit controls was timely and effective, but the most significant part of his speech was the categorical assertion that devaluation was to be ruled out as an option. So the policy compromise continues unchanged: movements in the exchange rate will be taken as a signal – although not an automatic trigger – for adjustments in monetary policy, with interest rates the essential, indeed the only weapon.

The uncertain value of the commitment to the currency has been demonstrated in the foreign exchange markets during the past few weeks and by the fact that, even with interest rates at their current extraordinary levels, there is no solid floor under sterling. Although the Chancellor has probably created enough political room to jack up rates even higher if the pound starts to drift below DM 2.90, this is far from certain. Mr Lawson is working for someone who shares the belief that devaluation is a soft option, but who is also instinctively opposed to attempts to stand in the way of market movements. So long as her support remains in doubt, rumours about conflict between the two will circulate and the currency will remain vulnerable.

Mr Lawson was right to assert that, sooner or later, interest rates would do the trick. But there is an open question about the shape the domestic economy will be in once inflation is again firmly under control.

Business reaction

It will depend in good measure on how businessmen react to current pressures. Will they assume, as might reasonably be the case in the light of this year's experience, that devaluation will allow them to escape from between the pincers of falling domestic demand and rising costs, whatever the Chancellor might say? Or will they rise to the challenge which he posed to them yesterday? Provided they hold their costs – especially wages – under control and succeed in promoting exports, there is no need for the current policy to lead towards recession.

Past experience does not encourage great optimism on this score, but the blame would certainly not rest with government alone. It is business that is responsible for the current level of wage increases. It is business that bears responsibility for the sluggish growth of exports.

This Government has the right to expect something of industry. Conditions have been very favourable for most of this decade. Although finance costs are high, company balance sheets are in a sound condition and the weakness of the pound this year will help to sustain profits. Company executives at last have the opportunity to show that they are worth their big salary increases. By meeting the challenge of the difficult months and years to come, they would benefit both themselves and a Government that has done much for them over the past decade. Mr Lawson can only cross his fingers.

Budgeting, US-style

THE US budget-making process, which started with promises of bipartisan responsibility in the spring, has degenerated into a more than usually squalid wrangle. And the first casualty of party warfare is, as usual, any serious attempt to address the federal deficit.

This would be of little importance were only the 1990 budget involved. It has been clear since the Administration's first implausible economic forecasts that this would be a fudge. It is in 1991 that the gap between the projected deficit and any reasonable effort to control it becomes really difficult and, in the present sour atmosphere, it does not seem likely to be addressed at all. Instead, the Gramm-Rudman-Hollings reduction targets will be moved again.

Campaign pledge

It is not surprising that Senator Hollings now wants to repeal the bill that bears his name. The immediate cause of the deadlock is President Bush's insistence on including his capital gains tax cut in the main deficit-reduction legislation. The only clear merit of this proposal is that it is a campaign pledge. It is possible to alter the tax as it was left by the 1986 tax reform in a constructive way, though the economic benefits would be slight. This could be done either through indexation of the gains tax, or by structuring it in such a way as to discourage short-term speculation. These are among the features of the various proposals that have been floated. However, in the struggle for votes, the measure is being burdened with a long list of bribes to special interests.

The likely result is to do the maximum damage to the principle of the 1986 reform, which aimed at tax neutrality, at maximum revenue cost, and with the minimum gain in useful economic incentives. This row speaks only too clearly about the Bush Administration, and about the congressional budget-making process. The President's resolution is in some doubt since the fiasco in Panama, but his obstinacy is not. He now sees party advantage in pressing for the tax cut, since the issue has split his Democratic opponents. This is apparently more important to him than sustaining a responsible discussion of fiscal policy.

Special interests

In Congress, special interests can still override both strategy and party loyalties. Proposals to reform the election process to make congressmen less dependent on finance from these interests are hampered by lack of public support. Reform would involve higher congressional salaries, and some public support for election expenses. The public seems to regard Congress as too corrupt to be trusted with public money.

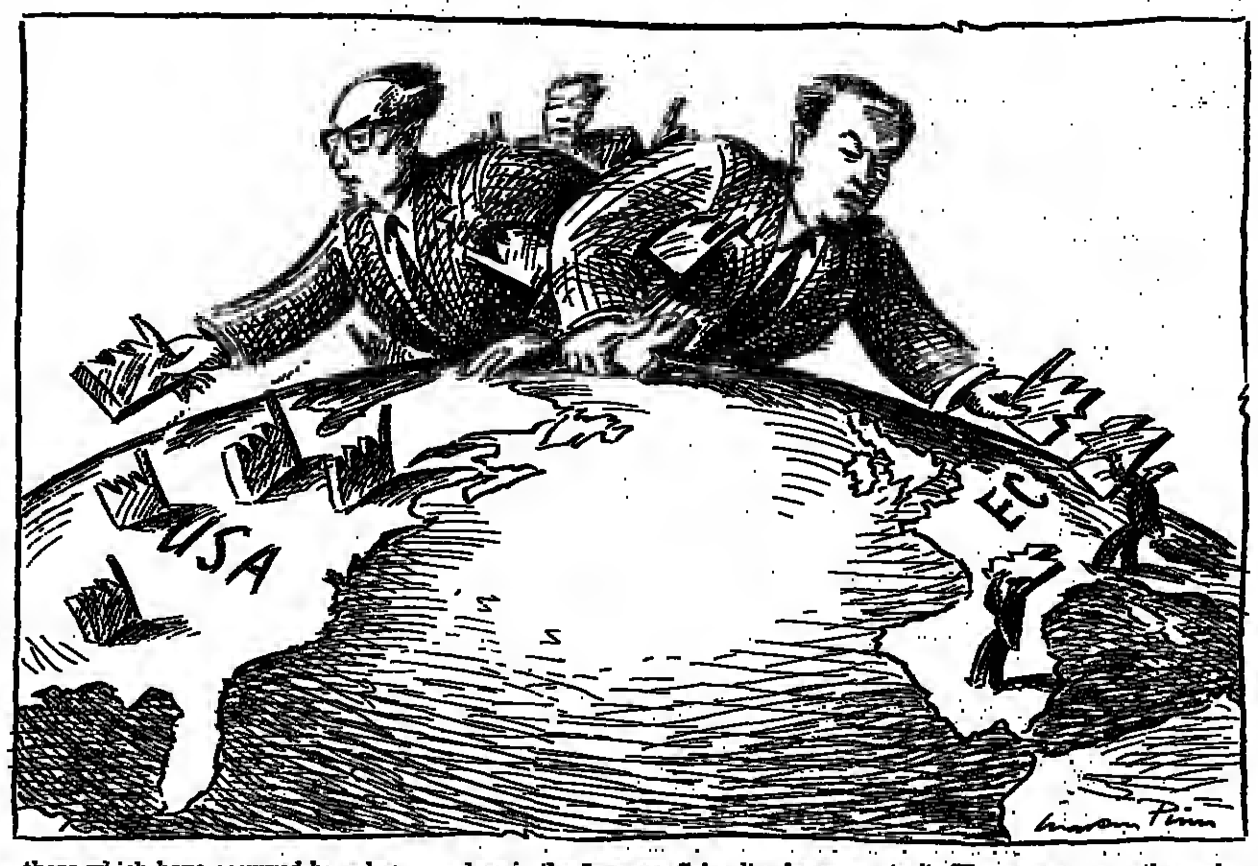
In purely economic terms, some case can be made for a US fiscal standstill (though not for the process which is likely to produce it). The deficit has not produced the dire results which were forecast, but simply a dependence on a flow of foreign capital which is so far more than willingly offered. Foreign management is doing something for US productivity, both directly and by example.

Further, the deficit was not seriously addressed when the economy was strong enough to shrug off some tightening. Now there are clear signs of an economic slowdown and a big squeeze next year could be badly timed. However, in political terms the budget deadlock is seriously threatening. It undermines not only American leadership, but the whole idea of policy co-ordination. That is why it is now left to the Federal Reserve to try to keep the economy in balance and to co-operate with the authorities in other countries. It is not helped by sniping from the Administration, which sees a threat to its hopes that with sufficient growth – regardless of any inflationary risk – the deficit will simply go away.

What is worse, the results of the deficit – a large though still shrinking trade deficit, and foreign takeovers of famous American names – are once again arousing American protectionism, which the whole Plaza process was designed to disarm. It is in this way that the party war could do serious long-term damage to the US economy and to American competitiveness.

Guy de Jonquières examines Japanese investment on both sides of the Atlantic

Coping with local sensitivities



Since the early 1980s, Japanese carmakers have swept into North America, setting up 10 "transplant" assembly facilities and bringing in their wake more than 130 automotive components suppliers. The transplants' combined production already exceeds 1m units a year, roughly 15 per cent of total US output, and is expected to rise to 2.5m units by 1995.

In consumer electronics, to an even greater extent, "Made in America" means made in a Japanese-owned factory. Domestic production of videorecorders (VCRs) is largely under Japanese control, while only one American company, Zenith, continues to soldier on in colour television manufacturing.

And when the Japanese are not building in the US, they are buying. Their acquisitions range from real estate – inclnding much of downtown Los Angeles – to high-technology companies in Silicon Valley. Indeed, California has proved such a magnet that some Japanese privately refer to the state, presumably in jest, as the new Manchuria.

It is easy to overstate this influx. As of last March, Japan's direct investments in the US totalled $71.9 bn, barely two thirds the value of British-owned assets there. Yet the speed at which they have grown and their concentration in a number of sensitive sectors have touched raw nerves in a country which increasingly blames Japan for the decline of its own economic and industrial pre-eminence.

Moreover, concern is not confined just to Americans. Many politicians and businessmen on the other side of the Atlantic are also bound to ponder nervously this boisterous and uninhibited Japanese expansion. As 1992 approaches, will Europe become ripe for the same treatment?

At present, Europe accounts for only 16 cent of Japan's total direct investments overseas, compared with the 40 per cent in North America. But the trend is sharply upward, in line with growing Japanese interest in the single market and fears of being excluded from it. According to the Japan External Trade Organisation, there were 411 Japanese-owned plants in Europe as of last January, double the figure five years earlier.

In Europe, as in the US, attitudes towards Japanese investments are highly ambivalent. Many governments, led by the UK, compete fiercely to attract them, while the European Community, by means of anti-dumping actions and local content requirements, has deliberately increased pressure on Japanese manufacturers to substitute local production for exports.

Yet Europe also seems confused about how to deal with the consequences of its own efforts to force the pace of Japanese investment. Its real economic contribntion is hotly debated, and some European industries fear it will simply undermine their own competitive position. In some cases, these misgivings have translated into outright hostility.

However, there are striking contrasts between the conditions influencing Japanese direct investment on either side of the Atlantic. These suggest that while its economic importance in Europe will grow, it will evolve its own distinctive pattern and will not simply be a carbon copy of American experience.

For a start, Americans and Europeans worry about Japanese direct investments for quite different reasons. In the US, controversy centres largely on acquisitions of existing assets, But in Europe it revolves almost entirely around the establishment of greenfield manufacturing operations.

At first sight this seems paradoxical, since there are many more and bigger new Japanese plants in the US than in Europe. One probable reason is that there have been few Japanese acquisitions in Europe so far, and those which have occurred have been friendly purchases of uncontroversial targets.

In the US, on the other hand, incidents such as the Fujitsu computer group's failed attempt a few years ago to buy Fairchild, a leading semiconductor maker, have heightened American anxieties about loss of high-technology leadership to Japan.

Bnt why do Japanese greenfield plants trouble so few Americans while preoccupying many Europeans? True, Detroit has complained as loudly as European carmakers that local Japanese production threatens to create excess domestic capacity. Yet such warnings have conspicuously failed to fire in Washington the same defensive responses as, say, in Paris or Rome.

There are striking contrasts influencing Japanese investment on either side of the Atlantic

The explanation lies less in the political complexion of the respective governments than in the different structure of the US and European industrial economies, and their relationships with sovereign power. In the US, anti-Japanese sentiment at the federal level is offset by a powerful lobby of state governments, whicb compete hard to woo greenfield plants

In few, if any, states does encouraging inward investment conflict directly witb the interests of local American prodncers. Many states which have proved popular with Japanese investors are in any case lightly industrialised. Furthermore, few US companies which might find themselves in the Japanese firing line have their operations grouped in a single state. Consequently, the impact of Japanese plants is diffused across the country.

In Europe, by contrast, most big companies' operations are much more concentrated geographically – and identified more closely with the economic interests of particular regions. All Fiat's European plants are in Italy, while Peugeot and Renault have almost all theirs in France. Even the Philips electronics group, one of Europe's biggest and oldest multinationals, has more than a fifth of its assets and staff in the Netherlands.

The lines of communication between business and government are also more directly connected than in the US, reflecting traditions of greater state involvement in industry at all levels. Even such paragons of economic liberalism as West Germany and Britain can be stirred by a "national champion" reflex to rally to the defence of leading producers.

Furthermore, many of Europe's biggest and most profitable markets, such as telecommunications, energy, and transport infrastructure are under much tighter state control than in the US.

Many Japanese companies, therefore, view their larger European competitors as extensions of sovereign political power. The conclusion is obvions: rub governments up the right way, as Nissan did when setting up in Britain, and they will help you out. Crudely offend national sensitivities, as Mitsubishi did when bidding against big French and West German groups for Spain's rail modernisation programme, and doors will stay firmly shut.

As Mr Tsutomu Ohshima, head of Toyota's international operations, puts it: "Europeans are rather reluctant to welcome the Japanese. By no means can we just intervene in the market without paying attention to other factors in the environment."

The single market may alter the picture. However, most Japanese companies, which in any case find the complexity of Europe's internal political relationships and nationalistic rivalries hard to fathom, expect only gradual change. They also suspect that, when change comes, it will simply shift to the EC level many of the barriers which now confront them in national capitals.

Brussels is assuming a steadily larger role in policy for high-technology industries such as microchips,

Japanese companies view European competitors as extensions of sovereign political power

computers and telecommunications. In Japanese eyes, membership of EC-sponsored joint research programmes such as Esprit, which are run for the benefit of a 'club' of European producers, increasingly confers privileges when it comes to exploiting markets.

Many larger Japanese companies recognise that these conditions dictate an approach very different from that adopted in the US. It is already reflected in their decisions on issues including:

● **Plant location.** While the UK remains the first choice in Europe, many Japanese companies are starting to spread their investments more widely. Sony, for instance, has decided to make each of its main product lines in two European plants in different countries.

Thongh dividing production between several plants can impair scale economies, Japanese companies are concerned that putting all their factories in one country could invite a political backlash elsewhere in Europe. They also realise they are better placed to overcome politically-motivated market barriers in countries where they have investments.

● **Components sourcing.** Japanese automotive and electronics suppliers have been much slower to set np in Europe than in the US. This is partly because many are still too busy managing new US plants and because demand in Europe from their traditional Japanese customers is lower.

However, public pressure to source locally is also much stronger in Europe than in the US. Demands by governments, and EC measures against "screwdriver" plants, have underlined to many Japanese companies the public relations value of being seen to buy as much as possible from suppliers in host countries.

At Nissan's UK plant, 97 of the 122 local suppliers are British and only six Japanese, while 50 of the 120 suppliers to its Tennessee factory are Japanese-owned. Toyota, whicb is also building a UK assembly line, is thought likely to bring more of its traditional suppliers with it. But it is also discussing collaboration on components manufacture with several European carmakers and suppliers.

There has also been a steady growth of licensing deals. For instance, Sankyo of Japan licenses Philips to make small electric motors for VCRs, some of which Philips sells to Japanese plants in Europe.

● **Local partnerships.** It is on this issue that the strategies pursued by Japanese companies on either side of the Atlantic most clearly diverge. In the US, most of them have felt free to go it alone, by establishing *de novo* operations or by taking over American companies. In Europe, however, they are increasingly seeking local partners.

Honda, for example, has taken a minority stake in Rover, the British motor group, which in turn will own 20 per cent of Honda's planned UK assembly plant. Matsushita, Japan's largest consumer electronics company, has joint manufacturing operations in Europe with Philips, Bosch and Siemens

Such collaborative arrangements offer several attractions. They reduce risk by spreading costs and providing established partners familiar with the nuances of local markets. They also confer acceptability and privileged *entrée* to government decision-makers. These are powerful arguments for Japanese companies which view the attainment of "insider" status as the key to penetrating European markets.

The other side of the coin, is that joint ventures are notoriously difficult to manage The failure several years ago of the GEC-Hitachi and Rank-Toshiba television businesses in Britain underlined the potential for clashes between corporate objectives and management styles.

Even where working relationships are more harmonious, reconciling partners' divergent commercial interests can require considerable skill. Honda, for instance, has yet to demonstrate how it plans to collaborate with Rover in design and technology while simultaneously competing against it in production and sales.

Hence, the "safe" option of advancing into Europe arm-in-arm with a friendly local escort presents its own problems. Whether these can be surmounted to prodnce dnrable long-term corporate relationships, or whether collaboration will simply prove a transition phase, remains to be seen. Bnt either way, Japanese companies are unlikely to be allowed to forget the particular local obstacles and sensitivities which distinguish Europe from the US.

OBSERVER

Hanson gets a bonus

■ Great excitement outside the office yesterday as it was announced that the remains of the Globe Theatre had been discovered almost next door. Or rather, there was not quite excitement enough.

The atmosphere on the site was distinctly bureaucratic: people from English Heritage going round trying to find out what other people are doing. No-one was quite sure what would happen next, except that there will be the application to the Secretary of State for the Environment to schedule the site as one of national importance. Since the post is now held by Chris Patten, it seems inconceivable that it will be turned down.

One of the best views of the site is from the arts department of the Financial Times. Here the approacb is somewhat blasé: namely, that there is no need to preserve every stone of old London. The Rose Theatre is just across the road. Remarkable how many people affect this neo-philistinism.

My own thought is that this entire south bank area should be looked at as a whole. It ought to be possible for there to be an unimpeded walk at least from Southwark Cathedral to the Festival Hall, just as there should be a single plan for restoration as well as modern buildings. No other major capital in the world would behave in such a piecemeal way as London.

Meanwhile, the discovery is very good news for Hanson, which may welcome favourable publicity. Michael Shea, the firm's public relations officer who used to advise the Queen, was looking very pleased.

Hanson acquired the site, as well as some adjacent houses which turn out to be very handsome inside, when it bought the Courage brewery. Yesterday, for the first time, a huge sign went np over the excavations saying "Hanson plc". The company has made £250,000 available for further evaluation of the findings, and there may be more to come.

Shy brothers

■ The Barclay brothers, whose empire extends from shipping to London's Howard Hotel, must rank as two of the UK's most secretive businessmen. The twins, Frederick and David, (who is the elder by 10 minutes) have a strong dislike of publicity which has led them to shun almost all interviews and photographs.

So it is a mild surprise to find them closely involved in a public relations company. They have invested £600,000 in a 10 per cent stake in Chime Communications, which this week completed a management buy-out of the Lowe Bell public relations companies from the Lowe Group advertising agency.

The buy-out has been led by Tim Bell, sometimes described as one of Margaret Thatcher's image-makers. Bell has known the Barclays for some time. The brothers' only previous professional encounter with the agency came in 1986 when Lowe Bell helped defend Imperial Continental Gas from the twins' £750m bid.

Broad left

■ The news may not be official, but it is straight from the horse's mouth, so to speak. Gordon McLennan, General Secretary of the Communist Party of Great Britain, is in Moscow on a fraternal visit, and he believes that the international Communist movement "as we know it . . . is finished".

In its place, he thinks, will rise "an association of parties with similar ideas, who will have regular discussions". They will not just include the good old Communist Parties, but Socialists, Greens, even Social Democrats.

"Norman's planning to join the standing ovation, but only on one foot."

"The old international Communist movement will gradually move to a position where it is part of an international socialist and social democratic movement," he said in an interview at the plush Soviet Central Committee hotel in Moscow yesterday.

He had just been to see Alexander Yakovlev, the Central Committee secretary for international relations, and more importantly, the principal philosopher of perestroika in the Politburo, so he certainly should know.

There is a healthier relationship all round between Communist Parties, with Moscow no longer inviting its fraternal visitors to the fount of Marxism-Leninism "to come and see how it is done", McLennan said. Far from it. Moscow is asking the British party, and the Italians too, for advice on operating socialism in a market economy.

"They want Marxists from the West to produce ideas. We have got some very able economists with a good grasp of what Thatcher has meant to Britain," he explained.

No such thing

■ A definitive view of flying saucers appears in this month's Physics Today, whatever may be said about recent sightings and even landings in the Soviet Union.

The article is by the late Irving Langmuir, a Nobel prize-winning US physicist. Langmuir served on a secret US Government committee investigating unidentified flying objects just after the Second World War. He was asked to pick the most convincing cases, and about 20 or 30 were singled out from over one thousand reports.

Most proved to be the planet Venus seen in the evening through a murky atmosphere, he wrote. Once – early this century – Venus caused panic around Times Square in New York.

The trouble is that if you see an object in the sky, you have not the faintest idea of its size or speed. Ask how big the moon is and people say as big as a house, or as big as a fist. So how can you tell how big a flying saucer is?

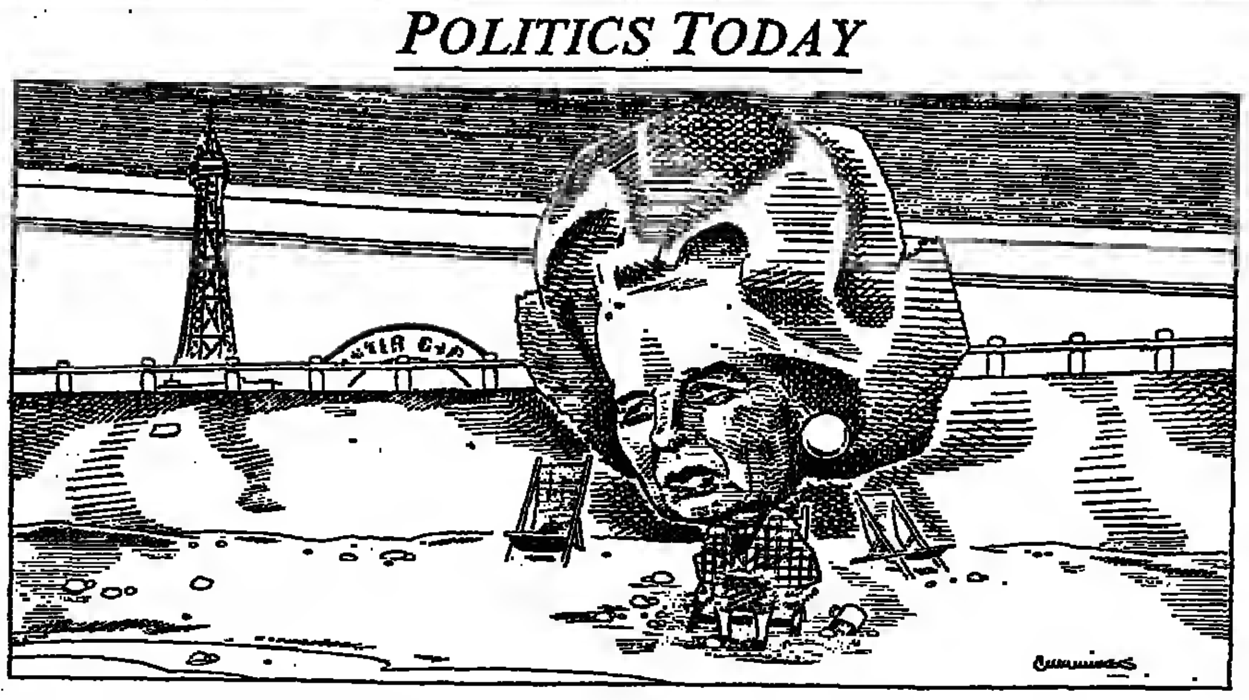
Langmuir failed to find a single case that made sense to him. Eventually, this secret inquiry was declassified and published at length in the Saturday Evening Post "and that seemed to be the end of it".

"But of course the newspapers wouldn't let a thing like that die", he wrote. That was Langmuir's opinion in 1953.

Very English

■ "Excuse me, Jimmy," said the English stockbroker arriving at Glasgow Central station. "When's the next train to Paisley?" "How did you know my name was Jimmy?" the porter replied. "Well, Jimmy, I guessed." "In that case yon can guess the time of the next train to Paisley."

POLITICS TODAY



Thatcher's chance to end the doubts

By Joe Rogaly

Expect Mrs Margaret Thatcher to make a visionary speech at her party's conference this afternoon. She will allude in glowing terms to the 10 years of triumph that lie behind her – and in softer, greener tones to the new long march that lies ahead. With luck, we may even see a genuine shift *from* value-for-money to quality-of-life. This will be an important occasion, arguably more important than the empty oration by the Chancellor of the Exchequer, Mr Nigel Lawson, yesterday or the rousing histrionics of the party chairman, Mr Kenneth Baker, on Tuesday. For Mr Lawson was merely addressing himself to a threat to his own career brought about by a disturbance in the foreign exchange markets. Mr Baker was simply doing a good job of helping ths party get a grip on its faltering nerves. Mrs Thatcher's performance is the one to watch. It will help us guess whether or not she is still Britain's most astute politician, and thus whether the era to which she has given her name will stand a chance of lasting well into the next decade.

Few champions know when they have reached the top of the hill, let alone when they have started the long downward slide. My feeling is that the Prime Minister most probably peaked on May 4, the tenth anniversary of *her arrival in No 10 Downing Street*, although it is too early to say whether the slide has begun. Back in May her colleagues all proclaimed, in the phrase of the moment, that she could walk on water. Now, a bare half-year later, the Tories are ten points and more behind Labour in the opinion polls and talk of invincibility seems quaintly dated. This turnround helps explain the questions being asked outside the hall at the party's convention in Blackpool: Is she getting tired? Is there a vacant look in her eyes as she sits on the Tory praesidium, head cocked, as minister after minister drones on? Is she in the process of changing from *grande dame* to grandmother? Will she retire in March?

No single one of these mutterings is itself significant. They are, anyway, confined to the upper echelons of the party. The rank and file still has that adoring look in its eyes; there will be the usual tears of admiration as they *stand and cheer Mrs Thatcher this* afternoon – something far more heartfelt than the applause of solidarity-in-adversity given to Mr Lawson yesterday. *Few of these party workers* can imagine political life without her. She still engenders a sense of unity and purpose that no conceivable successor could provide. Yet it is striking that the officer class is now acknowledging that "on and on and on" does not mean for ever.

I do not wish to exaggerate. Obituaries of Thatcherism are two a penny these days, and they are all premature. The doubts about the Prime Minister are nevertheless fundamental. She was a fine fighter against the enemies of the 1970s – *high* inflation, promiscuous public expenditure, trade union domination, the Argentines, a truly socialist Labour Party. The question today is whether, as she approaches the age of retirement for most company chairmen, she is temperamentally able to adapt her outlook to the concerns of the 1990s, and change her political tactics to compete with an opposition that, for the first time since she became Conservative Party leader in 1975, is united, strong, and increasingly attractive to much of the centre ground.

She may be. Her green speech at last year's conference was an historic event. In a few minutes she trans*formed the content of British political* discourse; now every party is anxious to demonstrate that it is more concerned about the environment than any of the others. Her famous antennae were in excellent form, directly in tune with what has been seen to be an astonishing upsurge of public concern. It is probable that the focus of concern is shifting again, albeit temporarily, to the state of the economy and, more to the point, personal and household budgets. We will see today whether Mrs Thatcher has registered that blip. The argument that follows rests on the assumption that she has, and that her Government proves able, with or without Mr Lawson, to get mortgage rates down far enough to wipe out Labour's lead in the opinion polls, or nearly so.

Whatever happens, the Cabinet and her immediate circle of advisers will be divided between those who call for a real quality-of-life approach – which means higher public spending and more regulation – and those who urge her to continue with the undiluted private-sector policies she has pursued since 1975. On the quality-of-life side stands, way out in front, Mr Chris Patten, the new Environment Secretary. Every morning at breakfast he selects from a special cereal bowl put out by his wife, Lavender, one policy left behind by his hard Thatch*erite predecessor, Mr Nicholas Ridley*. He chews on it for a while, then discards it in the sink waste disposer. Down the road is – believe it or not – the cheerfully chubby Health Secretary, Mr Kenneth Clarke. He is not inclined to take the advice of the likes *of me and compromise with* the British Medical Association over his plans to reform the National Health Service; he is said to believe that the BMA is an opponent you must defeat if you are not to be defeated. But he is a genuine supporter of the NHS. He is trying for the highest possible subvention for it from the Treasury because he knows that it is politically important to deliver quality of service.

Others, who may or may not be believers, have certainly begun to use the rhetoric. One such is the new Energy Secretary, Mr John Wakeham. He is talking about environmental protection as he sells off the electricity industry. Expect to find a green label on the share certificates.

Another is the new Foreign Secretary, Mr John Major. Earlier this year, he said that the public sector must be part of the general improvement in the supply performance of the economy. At that time he was still Chief Secretary to the Treasury. On Wednesday in a speech to the Radical Society (a sort of Thatcherite ginger group) he included "will it improve life *for* the worst off?" as one of six criteria for judging public policy.

Face to face, Mr Major comes across as one of the Cabinet's overwhelming majority of non-Thatcherites; close inspection of his texts, as of yesterday's speech on European policy, sug*gests that he is also a subtle salesman* of some of the ideas that the Prime Minister cherishes. He is proving adept at mastering his new portfolio, and politically wise in cajoling the Tories, as he did yesterday, into a warmer acceptance of the European Community by proclaiming that Britain is the leading member. This was not the Prime Minister's tone last summer, but then it is not yet possible to say whether *Mr Major* differs from the Prime Minister in tone alone, or also in substance.

These and other new-agenda Conservatives are counterbalanced by those who believe that little has changed, or should be allowed to. Lord Young, who still sees the Prime Minister regularly, is a private enterprise crusader. Likewise Mr Norman Tebbit, who probably does not. Mr Cecil Parkinson, now the Transport Secretary, is a man who knows which way the winds are blowing: his speech on transport yesterday ("we are backing the railways . . . we are backing public transport") was *full* of green talk, but it just did not sound like the Cecil we have come to know so well. The Chancellor understands wealth, and incomes, and the acquisition of material goods – but it is hard to believe there is very much room in *his heart* for the public sector. *Talk* to him about the poor and you soon lose his attention.

In times past there would have been little doubt about which of these trends of thought would have suited Mrs Thatcher most. It was Ridley-Young-Tebbit-Parkinson-Lawson all the way. Today there is reason to wonder, especially in view of Mr Parkinson's rhetorical conversion. The Labour Party presents a genuine challenge, one that is unlikely to be seen off by a concerted ministerial attempt to paint it as a red wolf in green and social democratic clothing. Tories themselves are concerned about some aspects of public squalor, in traffic jams, in dirty streets, in low-quality schools and in tatty hospitals. One speaker asked everyone at the conference who used the NHS to raise a hand. The entire hall did so. It is not proving easy to pour out the billion-pound bribes, as on transitional arrangements for the poll tax, and fight off the quality-of-life demands by spending ministers. Mr Norman Lamont, whose task it is, as Chief Secretary to the Treasury, to do just thet, has been looking distressingly harassed all week. (One cynical, probably erroneous, view is that he is programmed to let spending rise, since a large budget surplus at the time of the next election would enable Labour to say that that is what would finance its spending plans. It is more likely that *spending will* not change much but that, à la Parkinson, ministers will proudly proclaim it.

A second touchstone will be the special Cabinet committee on the environment that Mr Patten seems to have persuaded the Prime Minister to establish and chair. Properly managed, a national environmental policy should embrace every department, most particularly Energy, Transport, Agriculture and Industry. This is rapidly becoming best European practice. If it happens in Britain next year, the result will inevitably be a shift away from deregulation and towards interventions that seek to influence the market. The debate on the environment in Blackpool suggests that this would be popular in the Conservative Party. It appears to be what the country wants too. We may get an idea of what the Prime Minister is likely to make of it when we hear her speech this afternoon.

LOMBARD

An obsolete tradition

By Michael Prowse

AS A STRAW-HATTED public schoolboy in 1945, Dr John Rae, the former headmaster of Westminster School, recalls instructing a porter to put his luggage on the London train. "You'll have to take it yourself," replied the porter. "That sort of thing is over now." If the porter thought Labour's election landslide would sweep away the privilege and inequality which had disfigured British society for generations, he was sadly mistaken. The Attlee cabinet created a welfare state but failed to grasp the public school nettle. In 1989, the independent schools are flourishing as never before.

The existence of a two-tier educational system ought to trouble all those who uphold the ideals of a liberal democratic society. The issue is not whether a civilised community should strive for equality of social and economic outcomes: such an objective is probably *unattainable and widely* regarded as undesirable. It is whether a healthy democracy should heed the uncontroversial principle of equality of opportunity. Genetic endowment and willingness to work will necessarily influence individual achievement. But, as Tawney argued in the 1930s, it seems "grotesque and repulsive" that differences in wealth should distort children's educational opportunities.

The entry figures for Oxford and Cambridge provide the most startling evidence of educational inequality in modern Britain. *Public schools educate* only 6½ per cent of the population but they win just over half of the Oxbridge places allocated to home students. Nobody, surely, would attempt to argue that 50 per cent of the nation's brightest children just happen to have wealthy parents. The statistic is an unambiguous reminder of the continuing dominance of one social class.

Inequality permeates the educational system. Consider the results achieved in GCSE exams at age 16. In 1988, 25 per cent of entries from independent schools were awarded A grades and 75 per cent the equivalent of a pass in the old O level exam. In state comprehensives, the figures were 6 per cent and 31 per cent. These statistics do not just reflect selection on the part of independent schools: the dim son of an Earl may be rejected by the top public schools but he will not end up in a comprehensive. Privately-educated children benefit from better equipment, more books and much lower pupil-teacher ratios.

Other leading industrial countries can claim to have a *national* education system. Private schools exist but they do not play a significant role. There is no counterpart to Britain's extensive network of elite boarding schools. In Japan and continental Europe, children from rich and poor backgrounds rub shoulders in tha same classroom. Even in the US, the role of private schools is subdued by British standards. In all these countries, the education system therefore acts as a unifying force, ironing ont social and class distinctions. It is no accident that ednational standards are higher in most of these countries. In Britain, the most articulate and educationally aware section of society has no direct interest in the quality of state education.

In his book, Too Little, Too Late?, Dr Rae argues that the existence of schools such as Eton, Harrow and Winchester "stifle at birth attempts to make Britain a land of opportunity." But what to do about them? The Labour Party's recent policy review advocates the withdrawal of their large *tax subsidies: in particular*, charitable status would be granted only to schools which meet "educational needs throughout the whole community." Dr Rae is more radical, arguing that the most prestigious schools should be "persuaded" either to become non-fee paying specialist schools within an expanded national system or to limit their entry to the post-school leaving age of 16.

If Britain wants to succeed in the 21st century, it will need to create a genuine meritocracy in which the individual's future is determined by ability rather than social background or wealth. The unification of the education system is a precondition for such a society.

LETTERS

Takeovers – the pressures put on staff loyalty

From Mr D.R. Mitchell.

Sir, Thank you for the article about Mr Bob Bischof ("A 'brutal' financial climate," October 6). Had there been the space, I would have liked him to extend his comments on company takeovers to the effect these have on worker loyalty, employee morale and labour turnover.

I am now a pensioner but, in my working life, I was involved in three takeovers, and think that I am not unusual in this. Whatever managements say, takeovers lead to low staff morale, uncertainty about one's job, fear for the future and a feeling of being bought and sold like so much cattle. This is because it is a feature of all takeovers that no one asks *the staff what they think* about the situation.

When I started work in the 1930s, I had a great pride in my work and in the company I worked for. Over the years, this pride was gradually eroded and replaced with the question: "if the *management* cannot be loyal to me, why should I be loyal to the management?" Of course, to be fair to managements, they are not much helped by the business climate created by politicians. At worst, socialists regard "worker loyalty" as slavery. At best, they regard it as "paternalism." Conservatives regard employees as elements in market forces and are, therefore, indifferent to the concept of worker loyalty.

One of the heaviest costs industry has to bear these days is labour turnover. If staff feel *no loyalty or pride* in their companies then they become just drifters. It is not only more money that draws them from one job to another. "I want a change;" "I'm bored with the job;" "I've been here long enough;" are some of the *things I hear said by staff on* the move.

A few years ago, I visited a company in Augsburg, West Germany. What a difference! It was a big company with a huge workforce – but it was owned by a family. Everybody seemed to know the boss who went round the the factory and offices every day to see what was going *on*. The place was spotless. The toilets and cloakrooms were really beautiful and well cared for – always a a good indication of the morale of the workforce. You could have eaten your breakfast off the floor.

I think it is time we adopted the German restraints on takeovers, particularly now when nobody talks any longer of hostile bids being conducive to greater efficiency. Bids seem to be just a big board game these *days, and paid for with what* seems to be Monopoly money.

Let's face it; if takeovers really did produce leaner, fitter, more efficient companies, the acquisitions of the past 30 years ought to have made Britain one of the world's most dynamic industrial countries. It isn't. Germany, with very few takeovers in the same period now *has the strongest* economy and industrial base in Europe. A lot of this has come from the efforts of a loyal workforce. Seems to me there is a lesson to be learned here.

D.R. Mitchell,
1 Holden Road,
Southborough,
Tunbridge Wells, Kent

A familiar tune

From Mr John R. Gibson.

Sir, Shades of the iniquitous thievery they called Post-War Credits! S.K. Rao (Letters, October 7) must be a very young gentleman to believe that any Chancellor, once possessed of our involuntary "savings," would return them in full (in real terms) with interest to us or our descendants because he deemed that the funds were no longer needed. As long as governments print and mint tokens to draw revenue beyond the true total value of goods and services, *we shall* have *inflation.*

John R. Gibson,
26 Highland Road,
Northwood Hills,
Northwood, Middlesex

ECGD's medium-term export credit business

From Mr John Banham.

Sir, As you might expect, members of the Confederation of British Industry are keen to see value for money in all aspects of the public service – and not least in export promotion activities. The CBI is concerned that the medium-term export credit business of the Export Credits Guarantee Department should not diminish, or even disappear, if the Secretary of State for Trade and Industry decides that the short-term part of ECGD's business should become a separate *institution*.

In an ideal world, support for such business should not extend beyond the provision of insurance facilities, as the private insurance sector does not normally operate in the medium to long term credit field. Steps have been taken through the OECD towards the reduction of government subsidy in the provision of export finance. The CBI has supported progress in this direction.

It would be naive, however, to believe that we are at the stage where the UK can, without loss to its own contractors, unilaterally withdraw support for business now worth some £3bn a year. Project business overseas is hard to find in the conditions prevailing today. Those making such proposals might consider whether this is a sensible time to shut down this part of the Department. To do so would serve as a signal to UK contractors to move resources away from exports; a move which they, and the country, could wall regret when overseas demand returns.

Other governments – many with a healthier export trade than the UK enjoys today – continue to support their contractors in a variety of ways. For our Government to withdraw valued support at the *present time would seem* perverse.

John Banham,
Director-General,
Confederation
of British Industry,
Centre Point,
103 New Oxford Street, WC1

Marshall Plan should not be equated with Truman Doctrine

From Mr Tim Young.

Sir, It may surprise Ian Davidson ("Fallacy of a Marshall plan for eastern Europe," October *5*) to learn that Marshall offered American aid to Europe as a whole, including the Soviet Union. Molotov, Stalin's Foreign Minister, took part in the consultations on the distribution of aid in Paris in the summer of 1947. *Later*, the Russians, the Czechoslovaks and the Poles withdrew. Mr Davidson, then, makes too easy an equation between the economics of the Marshall Plan and the politics of the Truman Doctrine. The success of the economic aid programme is *ascribed to its* application to some perceived ideal model of an "established democracy" which was supposed to have been universal in western Europe in the late 1940s.

One's definition of "democracy" is very much a matter of individual choice, and should be stated before it is employed as a *datum* in an argument. This is particularly true if it is applied to a complex connexion between political and economic structure. It must be remembered that the republican constitution of Italy and the basic law of West Germany, which created the liberal-democratic systems of each country, were introduced only in 1948 and 1949 respectively. By this time, the administrative structures of the inglorious past had been rehabilitated. In Italy, the ruling coalition proceeded to *ensure that many of* the fundamental tenets of the constitution went unimplemented and that no power was shared with the electorally strong Left.

If anything, US aid meant keeping Soviet influence out of western Europe regardless of the type of political system prevailing in the recipient country. I *can see no other reason* why the US Congress, in August 1950, should have agreed to provide financial help to the Franco regime in Spain which had explicitly rejected democracy and the free market and had an appalling human rights record. *Later*, in 1953, the US granted the regime a substantial loan at ths same time as military bases were sited in Spain. It is a poor argument that claims authority from such a resonant idea as "democracy" which it dares name but not define.

Tim Young,
New College,
Oxford

FINANCIAL TIMES
Friday October 13 1989

New Western credits essential to success, says government document

Poland unveils its economic plan

By Christopher Bobinski in Warsaw

AN ECONOMIC PLAN finally unveiled yesterday by Poland's Solidsrity-led Government aims to put the country back on the path to a Western-style free market economy and promises a respite from inflation by the end of next year.

The docnment, which appeared in the government newspaper Rzeczpospolita, argues that the moves it outlines are essential if Western financial support is to be forthcoming – while failure by the West to underpin the programme with new credits would mean it had no chance of success.

The Government is looking to the International Monetary Fund – which is due to send a team to Warsaw for talks next week – for $700m worth of stand-by credits and another $500m from the World Bank.

The Poles are also asking Western governments to provide a $1bn stabilisation loan early next year and want to negotiate a suspension of interest and capital repayments on their debts to the Paris Club up to the end of 1992.

The programme assumes that Poland will be in a position to balance its external payments within two years and says that talks are to be held with the Soviet Union on reducing the Polish debt service burden.

The document suggests that the Government, which is already coming under fire from friend and foe alike for tolerating a 40 per cent inflation rate, wants to postpone the greater part of price rises which still await Poles until the begining of next year.

For the moment the Government is promising thet it will attempt to "halt the rise in the inflation rate" and admits that a "temporary sharp increase" accompanied by unemployment and falls in industrial output will come early in 1990.

Nevertheless, the plan does commit the Government to raising the price of coal, an important source of energy in Poland, soon – a move that should reverberate throughout the economy with a general increase in costs.

The zloty is also to be devalued significantly by the end of this year thereby accelerating inflation to put the official rate of the currency on a par with the free market rate of the dollar which is currently 4.5 times higher.

The coming weeks should see an effort to reduce the budget deficit by cutting subsidies, spending on the army and police, closing factories which use too much energy, and selling selected state companies.

By the end of next year, privatisation should be in full swing, a stock exchange should be in operation and a new fiscal system aimed at taxing company profits, personal incomes and value added ready to go into force in 1991.

Reuter reports from Bonn: The West German Government is now willing to guarantee several billion marks worth of loans backing hard-currency-earning projects in Poland.

EC to maintain share of US steel market

By Lucy Kellaway in Brussels

THE European Commission yesterday reached an agreement preserving the Commnnity's share of the US steel market following weeks of tough bargaining.

The deal on voluntary quotas came after last-minute negotiations which left the EC with a marginally-higher share of the US market. Originally the US had sought to cut the EC share by almost 1m tonnes a year.

Under the voluntary export restraint arrangement the Community's share of US domestic consumption will be increased from 6.68 per cent to 7 per cent, an improvement on the first US offer, which would have cut the Community's share to 5.8 per cent.

The new voluntary arrangements will apply to the existing range of 35 steel products, whereas the initial US demand was that a further five products should be included.

The new ceiling is not likely to have an immediate effect on the actual level of exports to the US, which because of strong steel demand in Europe, were last year well below the maximum level.

Even though the agreement does not represent the opening of the US market that European producers had been hoping for, Commission negotiators felt the new voluntary agreements, which in broad outline preserve the status quo, were the best that could be hoped for.

European steel producers had argued that there was no need for quotas, following the return to profitability of the world steel industry. The Commission said thet the pact was "a credible step towards liberalising steel trade."

The new qnotas replace a five-year agreement which expired at the beginning of the month, and will run for two-and-a-half years, after which it is hoped that the restraint agreement will be lifted altogether.

A flexible "short supply" clause has been included in the pact, which will allow exports above the prescribed quota in certain products of which the US steel industry is producing insuffiecent quantity to meet demand.

Other countries simultaneously in voluntary export restraint negotiations with the US had been watching for the Community settlement before agreeing their own. Japan is ready to sign an agreement which will reduce its share of the market from 5.8 per cent to between 4.5 and 5 per cent.

Japan's trade surplus shows slight decline

By Stefan Wagstyl in Tokyo

JAPAN'S trade surplns fell modestly last month compared with the same month a year ago – the fifth monthly decline in succession.

But the announcement yesterday did little to dispel fears that the surplus would start rising again in the near future, despite the efforts of governments in Tokyo and Washington and elsewhere to reduce it. The extent of concern about trade imbalances was reinforced by the presence in Tokyo of Miss Carla Hills, the US Trade Representative, for talks with Japanese ministers.

According to the Japanese Ministry of Finance the surplus last month was $7.32bn against $7.76bn in September last year, due to a 10.6 per cent increase in imports which more than compensated for a 4.8 per cent rise in exports.

The figures provided evidence of the apparent intractability of trade imbalances: without an exceptionally large increase in oil imports, where sales were depressed in September last year following the introduction of a new tax, the trade surplus would have been higher last month than a year earlier.

Private sector economists pointed out that the rise in the dollar is masking strong growth in export volumes, which is continuing despite a slowdown in growth in other countries. In volume terms, exports were up 7 per cent, almost as much as the volume growth in imports, which adjusted to exclude oil and aircraft which are erratic items, rose by 7.4 per cent. Among individual products, exports of video recorders were up 18 per cent in volume terms, against a 1.6 per cent in value, and office equipment sales rose 15.2 per cent in volume against just 4 per cent by value.

South-east Asia soaked up much of the increase. The surplus with the region rose last month while the surpluses with the US and Western Europe declined.

On a seasonally adjusted basis the surplus rose from $4.37bn in August to $5.55bn, the first such increase since June. Exports were down slightly by 0.6 per cent but imports dropped sharply by 7 per cent. Over the half-year to September, the first six months of the Japanese financial year, the trade surplus was $33bn, compared with $37.8bn in the same months last year. Exports rose 3.7 per cent to $137.2bn and imports by 10.3 per cent to $104.2bn.

Tories endorse strategy to fight inflation

Continued from Page 1

surance in ber closing address to the conference today.

In his 25-minnte speech, which was freqnently interrupted by applause Mr Lawson provided uncompromising defence of his use of high interest rates to bring down inflation and made a scathing attack on the opposition Labour Party.

He acknowledged the hardship caused to homeowners and small businesses as a result of the policy hnt insisted: "The damage caused by inflation would be far, far worse." Mr Lawson added: "Bluntly I have to tell you...there is no alternative and the policy will work."

Emphasising the high rate of investment in manufacturing industry, he compared the present turbulence with that in 1981 and in 1985. On both occasions the Government tackled the problems and went on two years later to win general elections. "The underlying strength of the British economy today is real and lasting, and the foundation for our confidence in the future," he said.

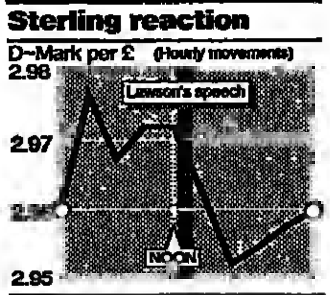
Mr Lawson said he could not give any date for a cut in interest rates, but borrowing costs would come down: "Just as soon as it is safe for them to do so but not before. We will take no risks with inflation."

The enthusiastic reception, however, did not disguise an undercurrent of unease at the conference about the threat of a further rise in interest rates. Mr Nicholas Bndgen articnlated the views of several right-wing MPs when he said Mr Lawson had apparently not exclnded a "one-off depreciation."

On currency markets, meanwhile, the pound, having fallen by 2 pfennigs against the D-Mark immediately after Mr Lawson's speech, dropping briefly below DM2.95, recovered later as traders looked ahead to the Mansion House speech. Shares in London followed a similar path, closing strongly. In New York, the pound rose to 1.5515.

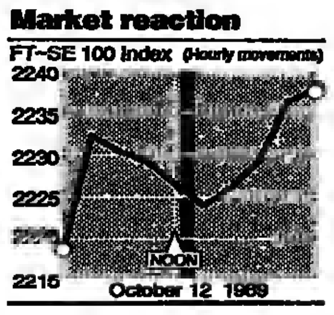
Sterling reaction

D-Mark per £ (Hourly movements)



Market reaction

FT-SE 100 Index (Hourly movements)



Waiting to hear more from Chancellor Lawson

Continued from Page 1

to see the decline of inflation "undermined by a progressive devaluation of the pound." The word progressive, which he mentioned twice, may have been included to suggest that the Government now wanted to hold the line on sterling following its recent depreciation.

Alternatively, some delegates speculated that the Government could be contemplating some further depreciation of the pound in the run up to its eventually joining the exchange rate mechanism of the European Monetary System.

Mr Lawson did not mention the EMS yesterday, and, therefore, the City of London will be all the more anxious for precision next week.

It was clear that the apparent commitment in the speech against devaluation disturbed many delegates. Mr Neil Hamilton, a right-wing parliamentarian who sits on the House of Commons Treasury and Civil Service Committee, said that part of Mr Lawson's speech was worrying.

Bound up with the parity of the pound is the question of whether the Government would raise interest rates again to defend sterling. When asked in the radio interview whether he would continue a policy of high interest rates at a time of falling inflation to support the pound, he said that he would not answer *hypothetical questions.*

In spite of Prime Minister Margaret Thatcher's leading the standing ovation, some uncertainty remains over whether the exchange rate and interest rates are a bone of contention between the two.

Mr Lawson's aides were relieved yesterday that he had gained the support of the his party's conference, bringing to an end one of the most uncomfortable weeks in his long career as Chancellor of the Exchequer.

However, it was also probably significant that his skilful speech relied on a knockabout attack on Mr Neil Kinnock, leader of the oppostion Labour Party, and an impassioned peroration about the eclipse of socialism in Eastern Europe to bring the his own party's faithful to their feet.

The conference gave a strong round of applause to one delegate who complained that high interest rates were a millstone for her small business and who pleaded for controls on consumer borrowing or a two-tier interest rate.

When Mr Lawson was explaining that a dynamic economy in a world of free markets is always at risk from "high winds and rough seas," his audience was notably subdued.

In spite of yesterday's success, it appeared thet Mr Lawson's party, like the financial markets, will need to see results before it is convinced about the wisdom of his policies.

Motorola attacked over mobile telephone patent fees

By Terry Dodsworth in London

THE simmering row among manufacturers developing Europe's pace-setting digital mobile telephone network flared into the open yesterday when Motorola of the US was criticised for endangering European access to export markets by insistence on fees for use of patents.

Mr Antti Lagerroos, president of Nokia, the Finnish car-phone manufacturer and one of the world's leading suppliers of mobile telecommunications equipment, said the conflict could seriously damage the future competitiveness of the European telecommunications industry.

"This is a case in which the industry should turn to the EC and ask the Commission to take the initiative to solve the problem," he said.

The new digital mobile network is widely regarded as Europe's most important high technology project. Aimed at creating a single pan-European system for car and portable phones, it has brought together manufacturers and service operators from throughout the region in the definition of common operating and design standards.

The scheme has been driven forward by strong political backing from the European Community and member states, who are anxious to see the breakdown of national barriers in the high technology sector. Ministers also believe the project could become a big money-spinner for Europe by establishing strong exporting opportunities in one of the fastest-growing industrial sectors over the next decade.

Mr Lagerroos, who was speaking at the Financial Times Conference on World Mobile Communications in London, did not mention Motorola in his speech. But he confirmed later that his remarks were directed at the US company, which is seen by European manufacturers as their main overseas competitor in mobile telephone systems.

Motorola, which has extensive investments in Europe, is the only non-European company to have been brought into the development of the mobile programme. The row has arisen because it has stood out against surrendering its patent rights to certain electronic techniques to be used in the system. Other manufacturers have agreed to give free access to their technology to their partners in the project.

Mr Lagerroos pinpointed the main fear of the European producers yesterday when he emphasised the problem Motorola's attitude could cause in export markets.

The Far East is seen as a particularly big opportunity for export sales over the next 10 years, but manufacturers of the European digital system fear that they may be forced out of the market by the cost of licensing fees to the US group.

US set to impose dumping duties on telephone groups, Page 7

Globe unearthed

Continued from Page 1

chalk, brick and timber walls with building techniques on the Rose site. They also found quantities of hazel nuts, also discovered earlier at the Rose and believed to have been used to bank up the theatre flooring.

Hanson acquired the site three years ago. It plans to make a joint request with the museum to Mr Chris Patten, the Environment Secretary, to schedule the site as one of national importance.

The Government refused to schedule the Rose Theatre site, it was thought because of concern that it might face compensation claims from developers with planning permission to build on the site.

The later Globe, built on the same site, fell into disuse at the time of the English Civil War and was pulled down

THE LEX COLUMN

Lawson's Blackpool illuminations

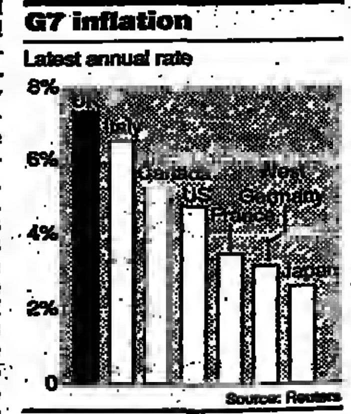
The markets had deceived themselves in expecting solid fare from Mr Lawson yesterday, but on the central question of exchange rate policy the speech was not quite without information. Despite the seeming acquiescence in sterling's slump through DM3.00, Mr Lawson's insistence on denying industry the comforts of a falling pound remains unchanged; so too does the readiness to take out the base rate bludgeon one more time if necessary. But the market has difficulty in reconciling the rhetoric on sterling with its 8.5 per cent devaluation since the start of the year. Nor is it clear whether yet another base rate rise could be forced through the Cabinet.

Hopeful as ever, the market has switched its attention to next week's Mansion House speech as a more appropriate forum for policy initiatives – in particular, a dramatic conversion to EMS membership. It seems a pretty safe bet that it will be disappointed again. The only piece of information to look forward to comes the week after that, in the dubious form of the September trade figures.

If they turn out to be favourable, Mr Lawson may have squeaked home. But it will be a close-run thing; and for the equity market it might come as a mixed blessing. It seems safe to assume that whatever sterling does, the Chancellor is in no immediate hurry to bring base rates down again. With its mind turning more and more to earnings fundamentals, the market may not be overjoyed by the combination of 15 per cent interest rates and a strong pound.

G7 inflation

Latest annual rate



Source: Reuters

Saatchi & Saatchi

The appointment of a new chief executive at Saatchi & Saatchi may herald a new era in more ways than one; Maurice Saatchi was yesterday taking the rare step of ringing round the analysts to explain the news, a sign that the company is trying to repair its relations with the City. Any chief executive joining a group with the founders still in place would expect teething problems, and especially at a company like Saatchi with a reputation for being a "family firm". And Mr Louis-Dreyfus arrives after the major strategic decision – to sell consultancy – has been taken and a cost-cutting programme has already been instituted. That said, it seems the new man's main attraction is his financial expertise, which should fill Saatchi's most glaring deficiency.

Whether the appointment prevents or hastens a bid is hard to tell. A bidder will presumably want to wait until the full horror of the 1988-89 results are revealed and until the consultancy businesses are sold. On the other hand, it might be wiser to attack before the new man gets his foot in the door on January 1, given that institutions tend to allow new management a honeymoon period. Saatchi still seems to be winning new advertising business, particularly in the UK and if costs can be controlled, revenues may be strong enough, despite a weakening background in both the UK and the US, to allow profits to rebound somewhat in 1989-90.

LWT

If LWT now risks full-scale shareholder insurrection from the likes of Pearl and Scottish Amicable, rather than just pained grumblings, it can blame the muddled thinking it has presented in lieu of convincing arguments for its restructuring plan. LWT may win the 75 per cent shareholder support it needs, but the margin looks unlikely to be large.

True, there is surface appeal in the idea of upping its chances of keeping the television franchise in 1993 by introducing a management incentive plan which also replaces debt by equity. The fact, too, that LWT's gang of 40 executives will obtain their full 15 per cent of its equity after 1992 only if its shares more than treble in price improves LWT's original scheme. But quite apart from the cost of its advisers' fees, there are snags in LWT's assumption that its capital structure should be dominated by debt in a wobbly economy with the franchise auction coming up. If, as LWT argues, debt finance is cheaper than equity at interest rates of up to 20 per cent, it should have gone the whole way and proposed taking itself private.

It could not do so, perhaps, because of what was in yesterday's small print: stagnation of advertising demand, suggesting flat profits in 1990. This has compelled LWT to cut the proposed special dividend; and in spite of 1988-89's good performance, LWT's 11-year earnings record has been too volatile to inspire confidence about its ability to sustain a heavily-mortgaged capital structure.

AMI

The rapid rise and equally rapid fall of the fortunes of many of the best known players in the US health care industry is a cautionary warning against getting too carried away with the prospects for the UK private health sector in a Tory Britain. Of course, the UK looks different. There is not yet the same sort of overcapacity, and the existence of the National Health Service safety net means that private hospitals can concentrate on the really profitable end of the market.

However, supply can catch up with demand surprisingly quickly. While AMI Healthcare is a well run company, a multiple of 18 times earnings is more demanding than Glaxo's. Given the financial problems of its majority US parent, its chances of remaining independent are slim, unless it can persuade its bankers to believe that the long-term outlook for UK private health care really is much more favourable than that in the US.

Lowndes Queensway

The Lowndes Queensway disaster is starting to look like one for the history books. Fourteen months after being bought for £450m it is worth £50m, saddled with £160m of debt and headed for a full year loss before rationalisation costs of some £15m. A fortnight after a 20p rights issue, the price is 15½p. The problem has become one for the banks rather than the market; having completed its £18.5m cash call, the group is saving £3m by suspending the refurbishment programme which is supposedly central to its recovery. Yet this is an important business, with 10 per cent of the UK market for carpets and furniture. It will doubtless survive in one form or another, but its future as a stock market vehicle must be in doubt.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	20	68	Dubrovnik	S	18	64	Malta	S	22	72	Rhodes	S	23	73
Algiers	F	23	73	Edinburgh	C	15	59	Manchester	Dr	14	57	Rio de J'o	C	32	90
Amsterdam	C	16	61	Faro	F	23	73	Manila	F	32	90	Rome	S	20	68
Athens	F	23	73	Florence	F	18	64	Melbourne	R	15	59	Salzburg	C	8	46
Bahrain	S	31	88	Frankfurt	C	14	57	Mexico City	F	23	73	San Francisco	F	10	50
Bangkok	C	32	90	Funchal	C	21	70	Miami	S	25	77	Seoul	F	15	59
Barcelona	C	15	59	Geneva	S	15	59	Milan	S	18	64	Singapore	T	28	82
Beirut		—	—	Gibraltar	F	22	72	Montreal	F	8	46	Stockholm	S	7	45
Belfast	R	14	57	Glasgow	Dr	13	55	Moscow	C	7	45	Strasbourg	F	14	57
Belgrade	S	15	59	Guernsey	F	15	59	Munich	C	10	50	Sydney	S	25	77
Berlin	R	9	48	Helsinki	R	4	39	Nairobi		—	—	Taipei	C	29	84
Biarritz	S	17	63	H. Kong	C	25	77	Naples	F	19	66	Tangier	S	26	79
Bombay	S	33	91	Innsbruck	F	13	55	Nassau		—	—	Tel Aviv	F	27	81
Bordeaux	S	17	63	Inverness	C	11	52	New Delhi	S	33	91	Tenerife	C	26	79
Brussels	C	13	55	Islamabad	C	26	79	New York	S	12	54	Tokyo	C	21	70
Budapest	C	14	57	Istanbul	F	17	63	Nice	F	19	66	Toronto	F	13	55
B. Aires	R	19	66	Jakarta	C	31	88	Nicosia	S	24	75	Tunis	S	22	72
Cairo	S	29	84	Jersey	C	16	61	Oporto	S	22	72	Valencia	C	17	63
Cape Town	S	22	72	Jo'burg	F	20	68	Oslo	R	4	39	Venice	F	17	63
Caracas	C	26	79	Lima	F	20	68	Paris	S	17	63	Vienna	F	13	55
Casablanca	S	25	77	Lisbon	S	29	84	Peking	S	21	70	Warsaw	C	8	46
Chicago	F	13	55	London	C	18	64	Prague	F	12	54	Washington	S	11	52
Cologne	C	14	57	Los Angeles	C	17	63	Reykjavik	R	5	41	Zurich	C	12	54
Copenhagen	F	11	52	Luxembourg	C	13	55								
Corfu	F	22	72	Madrid	F	17	63								
Dallas		—	—	Majorca	S	22	72								
Dublin	C	15	59	Malaga	F	23	73								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Boeing wins $5bn Northwest order

By Paul Betts, Aerospace Correspondent, in London

BOEING, the US aircraft manufacturer, has clinched a $5bn order for 90 aircraft from Northwest Airlines against strong competition from the European Airbus consortium.

In a major expansion, Northwest Airlines, which has recently been taken over by a group led by Mr Al Checchi and including the Dutch KLM airline, placed firm orders yesterday for 46 Boeing jetliners worth $2.7bn and took options for an additional 44 aircraft. If exercised the value of the options total about $2.5bn.

The deal involves firm orders for six Boeing 747-400 jumbo jetliners and options for another four, as well as firm orders for 40 Boeing 757-200 medium range twin-engined jets and options for an additional 40 Boeing 757-200 aircraft. Boeing is due to deliver the Pratt & Whitney powered aircraft betwssn the second half of 1993 and 1998.

The Boeing order is a blow for the European Airbus consortium. Airbus had built up a good relationship with Northwest Airlines after the US airline ordered in 1986 some $3.2bn worth of Airbus A-320 aircraft and subsequently placed orders for the longer range, wide body A-330 and A-340 aircraft.

The European aircraft consortium had hoped Northwest Airlines would follow through with a big order for its A-321, the new stretched version of the 150-seat A-330 airliner.

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday October 13 1989

INSIDE

Cotton shortage in China

For the first time since the early 1980s, China is facing the prospect of being a leading importer of cotton. September saw the start of harvesting, and western analysts are forecasting that the country is likely to experience a serious cotton shortage. Lynne Curry explains why China will not significantly contribute to the international cotton market this year, a fact that will keep world prices at a higher level than expected. Page 32

Provincial causes stir in city

With his flashy safari suits, raw bursts of laughter and Punjabi accent, Mr Abhey Oswal was long looked on as a provincial by the financial community of Bombay and Delhi. But the Indian entrepreneur cannot now be so easily dismissed. Opinion is divided on whether he will build an industrial empire in rapid time or fall victim to too quick a growth path. But there is no doubt that his agriproducts, chemical and fertiliser group is raising more money on the Indian capital markets this year than virtually any other business house in India. David Housego looks at the man who was almost unknown four years ago. Page 23

Building on a modest scale

Rather than erecting yet another skyscraper to join the existing towers in Frankfurt's banking district, Bayerische Vereinsbank has displayed more modest ambitions. Its new Frankfurt office, which will house its current local workforce of 400 and leave space for many more, illustrates the Munich-based bank's ambitions to gain prominence in West Germany's financial capital without yet reaching for the stars. Haig Simonian examines the institution that, despite recent fast expansion, has never appeared to exploit fully its position as the country's fifth largest bank. Page 25

Contrasting fortunes

Renault and Volvo were initially drawn together at the end of the 1970s by the shaky finances of Volvo's car operations. The years between then and this week's speculation that the two vehicle manufacturers are engaged in far-reaching negotiations have seen Renault collapse into loss in both its cars and trucks divisions and Volvo flourish. Kevin Done reports. Page 20

Pause for breath in mountains

Short-term outlook, neutral to negative; medium and long-term perspective, positive. With this concise summing up, Mr Michel Koch of Lombard, Odier reflects the current consensus on Swiss equities among local analysts. The market has been catching its breath since the beginning of September, following a rally which started in early June. Page 44

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Feldmuehle	536.5	+	11.5	Alspi	631	+	43.8
Linde	816	+	14	Eurotunnel	56	+	4.2
Nixdorf	373.5	+	8	Paribas	620	+	32.6
Schering	807.5	+	11.5	**Falls**			
Falls				BAFIP	323	−	13.4
Degussa	538	−	5.5	Maisons Phenix	71.1	−	3.2
NEW YORK ($)				Radiotech	588	−	27.6
Rises				**TOKYO (Yen)**			
AMR	99	+	1⅞	**Rises**			
MGM-UA	20⅜	+	⅜	Chuo Denki	1150	+	110
UAL	285	+	2¾	Hoko Fishing	1110	+	70
Falls				Keihin Seiki	1090	+	70
Evans & Suth.				**Falls**			
Compaq	19⅞	−	1⅝	Sanoh Indl.	1130	−	110
Imo Industries	17¾	−	2⅞	Seiyu	2710	−	240
USAir	45⅜	−	1¼	Taihei Paper	1080	−	90

LONDON (Pence)							
Rises				LWT	223	+	22
Bass	994	+	19	Morgan Grenfell	406	+	16
Brit. Aerospace	596	+	14	Racal Elecs.	244	+	8
Brit. Telecom	268	+	6	Rolls Royce	177½	+	4
Burmah	646	+	9	Scott. & New.	389	+	20
Enterprise Oil	610	+	16	Ultramar	336½	+	8½
GKN	394	+	10	WCRS Grp.	304	+	25
Grand Met.	576	+	12	Warburgs (S.&G.)	413	+	19
Hawker Siddeley	640	+	7	**Falls**			
Jaguar	663	+	27	Lonrho	259	−	1
LASMO	516	+	4				
Lloyds Bk.	389	+	10				

Fiat offers next plant to Spain

By Kevin Done in London and Peter Bruce in Madrid

FIAT, the Italian car and truck manufacturer, has offered to build its next car plant in Spain as part of its bid to buy Enasa, the state-owned Spanish truck producer.

Fiat confirmed yesterday that the company's bid for Enasa, made at the end of September, included an offer to build a car plant in Spain. The plant would build Fiat's Tipo medium-sized hatchback, launched in 1988.

Many of Fiat's Italian car plants are working at full capacity helped by a record European car market, and the company said earlier this year it was considering building new capacity. The most likely locations were Spain, southern Italy, or the UK.

Spanish reports have suggested the investment would cost $1bn and Fiat would aim to produce 200,000 cars a year.

The offer has mada Fiat a favourite to win the four-way race to buy Enasa, which makes Pegaso trucks.

The Spanish Industry Minister, Mr Claudio Aranzadi, is keen to close the sale of the company before the Spanish general elections on October 29 and it is possible that the Cabinet may decide to award the sale at its routine meeting in Madrid next Friday.

MAN and Daimler-Benz of West Germany, which have made a joint bid for Enasa, are reliably believed to be a second favourite, followed by Volvo of Sweden and Holland's DAF. The West Germans are understood to have offered to allow the Spanish state industrial holding group, INI, to maintain a 10 per cent stake in Enasa if their bid wins.

Fiat's bid, which would merge Enasa with its Iveco truck subsidiary, is being frustrated by attempts to persuade an Italian state-owned glass group, SIV, to meets its year-old promise to build a Pta16bn ($133.5m) float glass plant in Galicia. The Italian company has decided not to proceed with the project but Madrid has been promised support by the Italian Government.

The Spanish were hoping that pressure from Rome and Fiat would push the glass plant through but Efim, the small state industrial group that controls SIV, decided this week to postpone a decision for a month.

A promised new car plant would be a major feather in the Spanish Government's cap just before the election, particularly because the economy has shown signs of weakening recently and Madrid is unlikely to try and link reapproval of the SIV plant to Fiat's plans too strongly.

The bids for Enasa range between Pta40bn and Pta50bn. The company has spent the last decade in the red and is expected to make profits this year of Pta1bn after a long recovery during which half the workforce of 12,500 in 1980 was shed.

Losses last year amounted to Pta6.5bn.

BAe lifts stake in Ferranti to 1.7%

By Andrew Hill and David White in London

BRITISH Aerospace yesterday revealed it had increased its stake in Ferranti International Signal to 1.7 per cent. BAe and France's Thomson-CSF announced on Tuesday they were considering a joint offer for the British defence contractor, which has been hit by a £186m ($285m) fraud.

Ferranti insisted yesterday BAe and Thomson-CSF were only two out of "about a dozen" companies it was talking to.

All these companies, which included UK, European and US concerns, were "serious contenders," it said.

BAe bought 5.71m shares – some 0.75 per cent of Ferranti's equity – at 56p on Wednesday. BAe already held 0.33 per cent in its own right and 0.62 per cent through group pension funds.

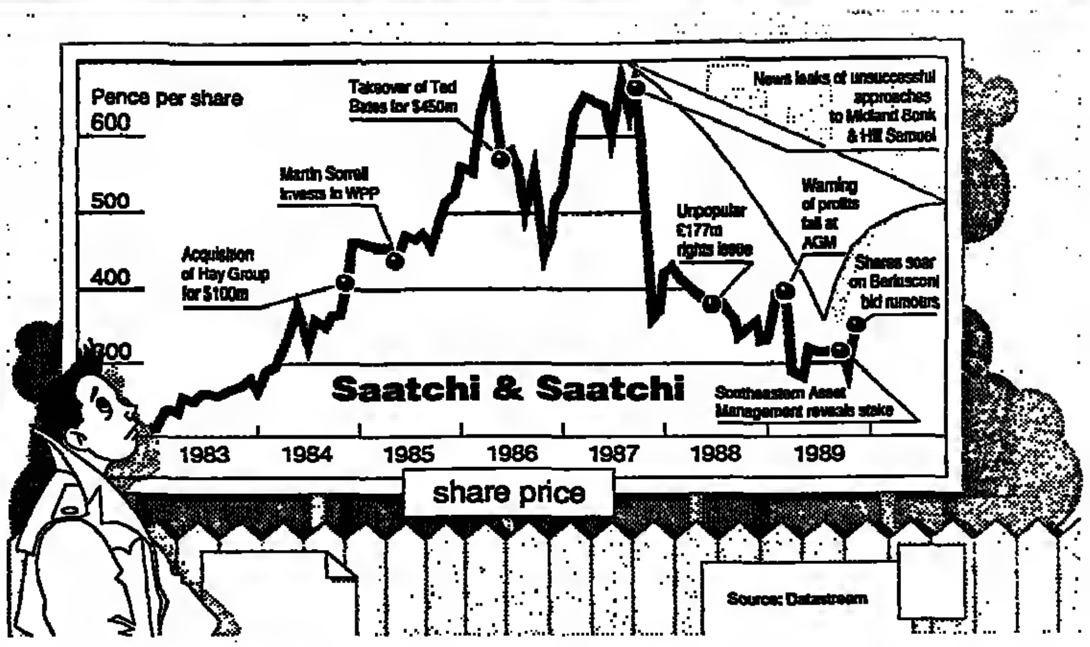
Analysts said several large investors had been buying in the market, but BAe was not an active buyer yesterday, when Ferranti's shares rose 1½p to 58p. Shares in BAe jumped 14p to 596p.

BAe's holding compares with a stake of about 2.2 per cent bought in July by Plessey.

GEC, which recently acquired Plessey via a joint bid with Siemens of West Germany, indicated yesterday that the Ferranti stake had remained intact since then.

BAe and its French state-controlled partner have asked Ferranti for access to information, including the special investigation by accountancy firm Coopers & Lybrand into the alleged £215m fraud committed through ISC Technologies.

Ferranti yesterday named Mr Albert Dodd to head its troubled ISC activities, replacing Mr James Guerin, the founder of ISC and Ferranti's deputy chairman since the merger, who resigned in May.



Saatchi & Saatchi: a shattered dream

Alice Rawsthorn looks at how the fairy-tale success story of the UK marketing group has turned sour

Two of the least attractive vacancies in the international communications industry are now filled. Saatchi & Saatchi has finally found a new chief executive and a new finance director.

By any definition, Mr Robert Louis-Dreyfus and Mr Charles Scott – the two men who are leaving Dun & Bradstreet to fill the vacancies – are taking a big, big risk. At the very least they face a formidable task in restoring morale and defining a new direction for Saatchi's beleaguered business. But if the bid rumours haunting Saatchi are true, they may not even have the chance to do so.

Only a few years ago the story of Saatchi & Saatchi read like a Thatcherite fairy tale. In less than two decades the Saatchi brothers – the enigmatic Charles and the urbane Maurice – had turned a tiny advertising agency in London's Soho into a global marketing group.

For a time the Saatchis – like their best known client, Mrs Thatcher's Conservative Party – seemed to do no wrong. They staged deal after deal in the early 1980s and the City cheered them all the way.

Three years ago, the brothers fulfilled their long-held ambition of becoming the world's biggest advertising agency by buying Ted Bates, a bastion of the US ad industry, for $450m.

But the Saatchi story then turned sour. The Bates deal was followed by a string of account losses and staff defections. Saatchi has since sapped the City's confidence with a catalogue of catastrophes: ill-timed rights issues, senior staff departures and the *folie de grandeur* of the abortive bid approach to the Midland, one of Britain's biggest banks.

The surprise announcement this spring that Saatchi's profits would fall in the 1988-89 financial year was the final straw. The annual report, published only a few weeks before, had not even hinted at a downturn.

Suddenly, the Saatchis lost their laurels as the advertising whizzes with the drive and the vision to create the world's leading communications and management consultancy company. Instead, they looked like two over-ambitious ad men who had made the most of a high share price, the weak dollar and the UK's liberal accountancy regulations to create an incoherent empire that they were neither able, nor willing, to control.

The crux of Saatchi's problems was its failure to find – and keep – a central management team to define a clear group strategy and keep operating costs under control. But it also faced operational problems.

The advertising agencies in the US and the UK were suffering from a slowdown in advertising expenditure.

In New York, neither the Saatchi agency, nor BSB, which had been formed through the merger of Backer & Spielvogel and Ted Bates, had really found their own identities. The London agency was still highly profitable, but had been hit by a number of postponed campaigns.

The problems of the management consultancy division were more serious.

Saatchi had entered consultancies with grandiose plans to become a global player. It ended up with an immature international network and without the resources to expand it. Some companies had suffered from the departure of senior staff. Others were burdened by over-ambitious targets.

Saatchi has been handled about as a takeover target since the summer. The cast list of potential predators ranges from Mr Silvio Berlusconi, the Italian media magnate; to Dentsu, the giant Japanese marketing group; and Southeastern Asset Management, the obscure Tennessee investment trust which is now Saatchi's biggest single shareholder.

The consensus among London and New York analysts is that there will be a bid for Saatchi, but that it is likely to come from a consortium rather than a single bidder. Saatchi could then be broken up.

Mr Berlusconi might buy the European agencies. Adia, the Swiss employment agency, could take some of the consultancies. There might also be a number of management buy-outs. Mr Carl Spielvogel is said to be interested in buying BSB, the worldwide network he heads in New York.

Most analysts are convinced that the Saatchi brothers would be willing to sell. The Saatchis now own less than 4 per cent of the equity. Mr Maurice Saatchi is still involved in running the group, but his brother has not played an active role for some time.

But a bid is not expected until after Saatchi's preliminary results are published in early December. The group is thought to be in such disarray that anyone who bid before the results would, as one analyst put it, "be bidding blind".

Originally, analysts had expected an increase in pre-tax profits from £138m to more than £160m for the year to September 30. Mr Brian Sturgess at BZW in London has revised his forecast three times since the spring and is now at "an optimistic £75m". Some New York analysts are bracing themselves for as little as £60m.

In the meantime, Saatchi has to sort out its businesses. The priority is to sell the consultancies, which were put on the market in June. Saatchi had hoped to sell the division intact by the end of the year. It is now selling the businesses piecemeal and it seems unlikely that all the sales will be completed until early next year.

Saatchi needs to sell the consultancies quickly, partly so that it can concentrate resources on communications, and partly to relieve the pressure on cashflow. Analysts have dropped their estimates of the value of the businesses. The disposals are now expected to raise less than £200m.

The group must then get to grips with its core communications interests.

The chief challenge will be to restore morale – among staff and clients – which has been badly battered in recent months. This task will complicated by the intensely competitive state of the advertising markets in the UK and the US.

Saatchi has already cut costs and shed staff in London and New York. It has reduced its worldwide workforce by 800, to 14,200 in the past year. But no one really knows quite how tough trading conditions in advertising will be next year, especially in the UK.

These are the problems that Mr Louis-Dreyfus has been hired to sort out. The Saatchis first met him when they tried to bid for IMS, the market research company which was capitalised at $330m in 1983, a year after he joined, and was sold to Dun & Bradstreet for $1.7bn five years later. Mr Maurice Saatchi, who met him across the negotiating table, remembered him as "a financial genius" with "immense charm and charisma".

Mr Louis-Dreyfus is seen on Wall Street as a "go-getter" who sees his Saatchi appointment as a way of really making his name in the business world. "He clearly has lots of ambition," said one New York analyst. "We shall soon see whether he has the ability to match."

LWT revises restructuring plan

By Nikki Tait in London

LWT HOLDINGS, the weekend television contractor for the London region in England, yesterday unveiled its amended proposals for a radical capital restructuring and introduction of new management incentives. The plan immediately ran into renewed institutional disquiet.

Under the scheme, LWT would make a substantial cash payment to shareholders taking on debt to fund this. The result would be a reduction by two-thirds in tha equity base, and a much more highly geared company. In the process, management would be given the opportunity to take a larger stake in the company.

The new scheme is slightly more restrictive in terms of the management incentive proposals than previous suggestions, and also modifies the amount and cost of the extra debt which LWT takes on.

LWT's initial proposals had generated criticism from some institutional shareholders, who questioned the advantages to investors of the restructuring.

Yesterday, Mr Christopher Bland, the company's chairman, said LWT had talked to all its major investors about the revised plan and was confident of their support. A 75 per cent vote in favour is necessary.

But the company's second largest shareholder, Pearl Assurance, said it was not convinced it should support the scheme. It still questions whether it is sensible to substitute equity with dabt, given the uncertain economic climate; suggests there are other methods of retaining executives; and points out that LWT's proposed pay-out looks significantly less attractive after tax.

Its donbts were echoed Mr Ernie McKnight, head of equities at Scottish Amicable. "If anything, this looks less inviting than the first proposals," he commented. "I'm waiting for the company to come and explain why they need to do it." LWT's decision not to pay a final dividend in the light of the restructuring-related pay-out was, he added, "a bit off."

LWT claims the plan is necessitated by the UK Government's proposals to award ITV franchises to the highest bidder provided they meet a quality threshold. It claims that the management incentive scheme will help to retain senior management in the run-up to the franchise auction, while the revised capital structure is more suited to these new circumstances.

Shareholders wili receive a gross dividend of 80p plus either cash or loan notes worth 50p for each share held. This compares with 150p proposed originally. They will also get one preferred share, fully-listed, in the reorganised group for each every existing LWT share.

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Lowndes in £16.9m loss midway

By Maggie Urry in London

LOWNDES Queensway, the furniture and carpet retailer, yesterday revealed half-year losses of £16.9m ($26.1m), just short of the £17m loss forecast when it announced a £18.5m rights issue and refinancing plan in August. The group, chaired by Mr James Gulliver, was formed by the £450m leveraged buy-out of Harris Queensway in August 1988.

Mr Gulliver warned that the base rate increase last week was likely to have an adverse effect on the market for furniture and carpets, which has already been badly hit by the slowdown in the housing market. When the group arranged its refinancing it said its "worst case" assumption was that the market would not get any worse. Mr Gulliver ruled out paying a dividend this year at that time.

The shares fell by ½p yesterday to 15½p, where the group's market capitalisation is £50m. Only two weeks ago 96.5 per cent of shareholders took up the three-for-seven rights issue at 20p. When the takeover in August 1988 went through Lowndes' stockbroker valued the shares at 100p.

The group has put a temporary freeze on capital expenditure following the interest rate rise, although a store refurbishment programme had been positively affecting sales.

Mr Eddie Dayan, managing director, said: "Wa have done everything we said we would do and more. We are being frustrated by external forces." He said the group was committed to improving product ranges, service, stores and value for money.

Analysts said they were surprised by the stop on refurbishments, which they had seen as the group's best hope on the trading front. They speculated that another refinancing migbt become necessary if sales fell further.

During the half-year sales were £178.2m, down 10 per cent on a comparable store basis, and the operating loss was £5.2m. Interest charges were £11.7m. No comparable figures are stated because they would refer to the pre-takeover period.

The group had sold two businesses to raise £72m in cash and £16m as a non-cash consideration, and had raised £31.7m from property sales, with a further £9m likely in the second half. Debt at the end of the half-year was £198.5m. Of that, £80m was swapped to insulate the company against rising interest rates until March 1990, and £60m hedged until March 1991 at rates lower than those prevailing now.

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INTERNATIONAL COMPANIES AND FINANCE

Wartsila Marine may be heading to bankruptcy

By Enrique Tessieri in Helsinki

WARTSILA Marine, the troubled Finnish shipbuilding company, may be heading towards bankruptcy following the disclosure yesterday that losses at the company amount to FM1.7bn ($390m), double the level forecast just two months ago.

Mr Ilkka Suominen, the Finnish minister of trade and industry, described the situation as "very serious." According to Mr Suominen, an investigation must be made into whether Wartsila Marine's management has given misleading information about the company's financial standing.

Wartsila Marine has had a chequered recent past, and in August this year Wartsila reduced its shareholding in the division from 70 per cent to 19 per cent. Yesterday the Helsinki bourse suspended trading in the shares of both Wartsila and Valmet, the big Finnish industrial group which also has a large shareholding in Wartsila Marine.

Wartsila yesterday announced its results for the first eight months of 1989. These amounted to a profit after net financial items of FMk275m ($63m).

The result includes a book loss of FMk457m on the disposal of shares in the Wartsila Marine shipbuilding division. A year ago, when the accounts included a big loss on shipbuilding, there was a group deficit of FMk381m.

Wartsila's troubled shipbuilding division accounted for 44 per cent of the group turnover in 1988. For the eight months group turnover totalled FMk22.3bn, against FMk2bn or FMk3.6bn if the marine division is included.

For the full year Wartsila expects net turnover to exceed FMk4bn. Group order books at the end of August totalled FMk2.8bn. A year earlier orders stood at FMk2.5bn or FMk10.8bn including Wartsila Marine.

All existing group divisions improved their performance during the eight months. But the main reason for the recovery was the removal from the accounts of Wartsila Marine.

Havas foresees 27% rise in net income

By George Graham in Paris

HAVAS, the leading French advertising and media group, has reported steady first half profits, up 4 per cent to FFr463.7m ($71m).

The group, privatised in 1987, said that pre-tax operating income rose by 57 per cent to FFr799.8m, but that exceptional earnings totalled only FFr99.6m in the first six months of the year, compared with FFr208.3m in the same period of 1988.

For the year as a whole, Havas said, operations already under way meant that exceptional items should be about the same as last year, some FFr200m. It said that total net income for the year should reach around FFr950m, up 27 per cent from 1988.

Havas, which recorded sales 12 per cent higher at FFr8.74bn in the first half, has recently expanded with a major joint venture in the poster advertising sector with Mills & Allen of the UK.

The group is expected by stockbrokers to embark on new acquisitions, especially in the publishing and audiovisual fields, using the proceeds of its recent FFr1.6bn issue of shares with attached warrants.

• L'Oréal, the leading French cosmetics and shampoos group, said profits before tax, investments and extraordinary items rose 17.7 per cent in the first six months of 1989 to FFr1.51bn ($232m).

Ciba-Geigy sales rise by 20% to SFr15.9bn

By John Wicks in Zurich

SALES of Ciba-Geigy, the leading Swiss chemicals and drugs group, rose by 20 per cent to SFr15.9bn ($9.5bn) in the first nine months of 1989. In terms of local currencies, turnover increased by 13 per cent over corresponding 1988 levels.

The upturn, which took place despite the disposal of Ciba's Ilford photographic subsidiary in the early months of the year, reflected sales gains in all group divisions. Pharmaceuticals sales were 26 per cent higher at SFr4.65bn and agri-chemicals pushed ahead by 16 per cent to SFr3.58bn. Dyestuffs and chemicals sales rose by 20 per cent to SFr2.92bn.

Ciba described business in the third quarter as gratifying. The group profits of at least SFr1.5bn for 1989 as a whole. In 1988 turnover totalled SFr17.6bn and profits amounted to SFr1.32bn.

Kone doubles pre-tax profits to FMk285.4m

KONE, the Finnish lifts and crane making group, reported a 13 per cent increase in sales to FMk4.08bn ($937m) for the first eight months of 1989. Profits, before tax and allocations, doubled to FM285.4m, writes Enrique Tessieri from Helsinki.

The lift division, which contributes about 65 per cent of total profits, raised sales by 12.5 per cent to FM2.72bn.

McGregor-Navire, the marine cargo unit, reported a 16.6 per cent increase in sales to FM261.3m.

Sales in the cranes division improved to FM733.5m from FM642.8m.

As a result of structural changes and rising demand, the group is expected to turn in improved profits for the whole of this year.

The group's long term aim is to exceed the gross profit margins of almost 11 per cent chalked up in 1983.

Volvo and Renault pool thoughts on 1990s

Kevin Done on preliminary talks between the two motor groups

Volvo of Sweden and Renault of France have suffered contrasting financial fortunes during the last decade.

The shaky finances of Volvo's car operations at the end of the 1970s first drew them together with Renault both taking a minority equity stake in Volvo's car division and also providing assistance with additional loans. Options were included which could have given it 20 per cent of the Volvo car operation by 1985/86.

The original deal was ambitious in scope providing for "co-operation in research, product development and production", but the aims were never realised.

By the mid-1980s the financial fortunes of the two groups had been reversed.

Renault had collapsed into loss in both its car and truck operations, while Volvo was flourishing helped not least by bumper profits flowing in from its US car sales buoyed up by the strong US dollar.

Renault was forced to retrench, pulling out of its US adventures with the sale of its stake in American Motors to Chrysler, and also pulling back from Volvo. It did not exercise its options and sold its last 9.4 per cent stake in Volvo Cars back to Volvo at the end of 1985.

By the end of the 1980s both Volvo and Renault have brought their finances more firmly into order, and at least temporarily have firmer ground under their feet to consider grand strategic visions for the 1990s.

	VOLVO	Renault
Turnover	$14.7 bn	$24.9 bn
Profit*	$1.25 bn	$1.37 bn
Workforce	78,614	181,700
Car and truck production	0.45 m	1.94 m

*Before tax and appropriations for Volvo, and after tax for Renault

Speculation has mounted in financial markets this week that the two groups are engaged in far-reaching negotiations, with Swedish press reports suggesting that tha talks could lead to an eventual merger of the two companies' automotive operations. Such a move would be one of the biggest trans-national mergers seen in Europe and would create the world's biggest truck maker.

Volvo has confirmed that "discussions of a preliminary nature" are under way with Renault.

Grand visions are nothing new to Mr Pehr Gyllenhammar, Volvo's chairman and chief executive, as ha has hunted for more than a decade for ways of securing Volvo's future in the face of growing competitive challenges. Previous abortive moves hava included steps to merge Volvo with Saab-Scania, its rival Swedish truck, car and aircraft maker, and an attempt to sell a major minority stake to the Norwegian state in return for a significant share in the Norwegian oil and gas industry

Both groups are now earning strong profits from their European truck operations helped by a record market in West Europe, although Renault still has problems in the UK and most particularly in the US, where Mack, its US associate, is accumulating growing losses.

Volvo has moved more successfully into the US market taking over successively the heavy truck operations of White and General Motors, and is now seeking to make its first foray into heavy truck sales in Japan.

If tha present preliminary talks between Volvo and Renault should eventually lead to a merger of their automotive operations it is in the truck sector that the new Franco-Swedish company's presence would be most heavily felt.

Daimler-Benz of West Germany is currently the undispnted leader in the world heavy truck industry, but it would be overshadowed by any merger of the French and Swedish truck makers. According to Daimler-Benz the West German group produced 82,000 heavy trucks last year compared with 51,000 by Volvo and 53,000 hy Renault Vahicules Industriels, Renault's truck and bus subsidiary.

RVI's strength is in its domestic market of France, and it has a good position in eouthern Europe. Volvo'e strength is in northern Europe and in the UK, but it generally has a stronger international market coverage. Mr Pehr Gyllenhammar insisted recently that the two operations "could be complementary".

Separately Volvo is one of the leading bidders to taka over Enasa, the Spanish state-owned truck maker, which it sees as a major opportunity to strengthen its market presence in southern Europe.

A combination of the Volvo and RVI truck operations would provida an unrivalled volume base in Europe to support the heavy spending on research and product development which is one the heaviest burdens facing all of the world'a automotive producers.

The equation for a successful merger in the car sector is more difficult to produce, not least because of the delicate market position represented by Volvo'e car operations, which are supported hy a uniqne image linked to safety, reliability and longevity.

The two groups are in different market segments and niches, but there could undoubtedly be substantial gains to be made from shared product development and from an increased sharing of components particularly in the executive and upper medium sectors of the European market.

Renault is already the main providar of engines and gearbox components to Volvo Car BV, Volvo's Dutch associate which produces the group's smaller 300 and 400 series.

Renault is the weakest of the big six volume car makers in Europe accounting for some 10.2 per cent of the West European market last year with sales of some 1.32m. Without a second marque and facing financially stronger rivals, it has made no secret of the fact that it is looking for alliances to secure its future survival in the single European market of the 1990s.

Volvo by comparison has only around 2 per cent of the European market with European sales of some 267,000 last year. In contrast to Renault it has a well-developed niche presence in the US, however, where it sold some 104,000 cars last year.

According to Mr Gyllenhammar it has already funded around three-quarters of the expenditure needed for its new car range for the early 1990s – to replace the 200 series first launched in 1974 – but it will face expenditure burdens of a different order by the mid-1990s.

Hard-pressed Chrysler forecasts plant closures

By Andrew Fisher in Frankfurt

CHRYSLER, the US car and truck group, is experiencing "a lousy second half" with third-quarter earnings hit by fierce price discounting in the North American market, Mr Robert Miller, the chief financial officer, said yesterday.

Mr Miller also forecast that plant shutdowns were inevitable because of over-capacity in North America of 5.1m units a year against 2.2m four years ago. Excluding the $1.34 a share gain in the third quarter from the sale of part of Chrysler's stake in Mitsubishi Motors of Japan, he added: "I doubt that we did much better than break even."

He noted that analysts had forecast earnings per share of between 10 and 20 cents. This compares with 50 cents a share, or net income of $112m in the third quarter of 1988 and $1.46 ($341m) in the second quarter of this year.

"Never in our history have we seen the extent of price discounting that we've seen this year," Mr Miller said in Frankfurt. Performance in the fourth quarter would depend on how far this continued. "We're in a competitive dogfight."

Because of the poorer second half, Mr Miller said pre-tax profits for 1989 would probably be below last year'e $1.7bn, down from $2.2bn in 1987. Total revenues would rise to around $40bn from $35.5bn in 1988.

Mr Miller also said the North American car market in 1990 would be "a little hit softer than this year."

He described the level of over-capacity in the market as equivalent to about 20 assembly plants, of which half "are clearly excess to current market needs."

Noting that it cost about $250m to close a plant, he said the whole industry would have to cut capacity.

In Europe, he said Spain was a likely choice for the joint manufacturing facility planned with Renault of France for the new four-wheel drive leisure/utility vehicle, codenamed the JJ minijeep. A decision would be taken in about two months.

But Chrysler was also considering Portugal and France. Beyond that, he said minivans were the next probable candidate for assembly or manufacture in Europe; Chrysler was talking to several companies about a possible joint venture.

This year, it expected to export 50,000 vehicles to Europe, with an eventual target of 100,000. Mr Miller said this was roughly the crossover point "at which (local) manufacturing becomes imperative."

Rising productivity lifts GE 16%

By James Buchan in New York

GENERAL ELECTRIC, the big US industrial group whose interests range from aircraft engines to broadcasting, yesterday reported a 16 per cent rise in third-quarter earnings to $815m.

The increase, broadly in line with Wall Street's hopes, was due to greater productivity across GE's businesses with outstanding profits growth in such divisions as financial services, plastics, transportation systems and power generation.

The company, which spans both capital and consumer goods and is seen as a pointer to the outlook for US business as a whole, said growth in orders for its short-cycle businesses slowed in the third quarter, but new orders in such longer-cycle markets as aircraft engines, aerospace, power generation and medical systems were strong.

The increase in quarterly profits, which raised earnings per share from 90 cents in the 1988 third quarter to $1.04, came on the strength of a 7 per cent rise in sales to $13bn. At the nine-month stage, earnings were also up 16 per cent at $2.77bn or $3.06 a share on an 11 per cent rise in revenues to $38.4bn.

Mr John Welch, chairman of the Fairfield, Connecticut company, said: "This strong earnings performance continues to reflect widespread productivity improvements as well as sales growth in a number of businesses."

He added that the company's operating margin — the portion of sales booked as profit — rose to 11.1 per cent in the September quarter from 9.6 per cent a year earlier, and would probably be the highest ever for the year as a whole.

"GE is well on its way to a third straight year of strong double digit earnings increases," Mr Welch said.

The best performances came in GE's materials business, where good volume increases in plastics combined with additional sales from the chemicals operations bought from Borg-Warner, and in financial services, where net earnings rose 21 per cent. Transportation systems and power generation also did well.

In the longer-term businesses, GE has booked $6bn in orders for aircraft engines so far this year, $4bn in aerospace orders and $3bn in power generation orders.

"GE's longer cycle businesses were particularly strong and continued to build the base for future growth during the quarter," Mr Welch said.

Provisions put Bank of New York in the red

By James Buchan

BANK of New York, the fast-growing banking group that last year acquired the Irving Bank, yesterday reported a third-quarter loss of $271.3m because of big provisions against possible losses on Third World and other loans.

Without the special provisions, Bank of New York would have reported $118.7m in net income or $1.60 a share.

The $600m provision against Third World and other loans caused a nine-month loss of $55.8m, but the company expects to turn in a profit for the full year. Without the provisions, earnings would have been $334.1m or $4.52 a share.

Yesterday's results are not truly comparable to the pre-Irving results of last year, when Bank of New York earned on its own $84.2m or $1.39 a share in the quarter and $334.1m or $4.52 in the nine months.

But big cost reductions since the merger have clearly improved profitability, with return on assets in the quarter at 0.95 per cent or much higher than Bank of New York's traditional return.

Mr Carter Bacot, the bank's chairman, said: "The quarter's results reflect further cost savings arising from our merger with Irving, continued strong growth in lending and sustained revenues from our securities processing business."

In making e $400m provision against Third World loans, Bank of New York is following a pattern established by J.P. Morgan last month.

With revenues and operating profits strong, Bank of New York hes now made reserves against 65 per cent of its medium-term loans to Third World governments. It has also provided $200m against other doubtful loans.

Flat third quarter at Motorola

By Anatole Kaletsky in New York

MOTOROLA, the Chicago-based broadly diversified semiconductor and electronics manufacturer, reported flat earnings for the third quarter, disappointing investors on Wall Street who had been bidding up the shares in recent months.

However, the relatively weak earnings were largely due to a one-time charge announced earlier this month to cover anticipated costs of a voluntary severance programme.

Motorola reported net profits of $89m or 69 cents a share for the third quarter, compared with $97m or 67 cents for last year's corresponding three months.

The latest result included the pre-tax severance provision of $43m, which was partly offset by a $23m reduction in the tax charge.

Nine-month earnings totalled $369m or $2.82 a share, up 14 per cent on the $321m or $2.48 reported the year before.

Third-quarter sales grew by 20 per cent to $2.41bn, compared with a growth of 15 per cent to $6.97bn in the first nine months of 1989.

Commenting on the results of the company's operating segments, Mr George Fisher, president, said that communications sales rose by 7 per cent while orders jumped by 33 per cent to set a new record.

Semiconductor sales grew by 10 per cent, orders were up by 10 per cent and backlogs increased by 11 per cent. The company added that "the lack of inventory build-up on the part of semiconductor customers reduces the potential volatility of this sector."

Sales of the general systems group, which includes cellular equipment, jumped by 97 per cent, orders advanced by 67 per cent and backlogs were 1 per cent higher.

Government electronics sales, including defence and space equipment, increased by 28 per cent and orders climbed by 33 per cent, although backlogs were 3 per cent lower.

Automotive and industrial products sales fell by 1 per cent, but orders grew 1 per cent and backlog increased by 7 per cent.

The information systems group recorded a loss on a 2 per cent decline in sales, a 4 per cent slowdown in orders and a 10 per cent fall in backlogs.

Overseas side boosts Coca-Cola

By James Buchan

COCA-COLA, the world's largest soft drinks company, yesterday went some way to justify Wall Street's recent backing with a 21 per cent rise in third-quarter net profits.

The growth was due to the group's continued success in increasing sales of its drinks overseas, above all in Western Europe.

For the September quarter, earnings were $358m on sales 8 per cent up at $2.80bn. Earnings per share rose by 27 per cent, to $1.03, because the Atlanta company is using surplus cash to buy in shares from stockholders.

Earnings at the nine-month stage totalled $950m, up 18 per cent, with a 24 per cent rise in earnings per share to $2.73. Sales after nine months were up 6 per cent at $6.72bn.

The results were flattered by a special gain of $36m, or 10 cents a share, from the sale of the company's bottled water business. From pure operations, earnings per share were up 15 per cent for the quarter and 20 per cent for the nine months.

The key to the growth is Coke's marketing overseas, where consumption per person is much lower than in the mature US.

Volume growth overseas rose 14 per cent in the quarter, with growth of 17 per cent in the European Community, due principally to increased distribution in France.

Unit volume grew 16 per cent in Latin America and 10 per cent in Japan. In contrast, volume in the US was flat.

Mr Robert Goizueta, chairman of Coke, said: "The 14 per cent volume growth achieved by our international business in the third quarter demonstrates the strength of our soft drink enterprise. This momentum will continue to drive the company's consolidated results over the remainder of the year and into the 1990s."

A bright spot in the US is Coke's Minnte Maid chilled orange juice business, which grew 25 per cent in volume terms thanks to heavy marketing of the fashionable fresh-squeezed or not-from- concentrate juices.

In contrast, the old-style frozen orange juice market is collapsing, with volume down a third.

CBS blames reverse on video cassette venture

By Our Financial Staff

CBS, the US broadcasting group, blamed a 12 per cent drop in third-quarter earnings per share on lower net income from its joint video cassette venture with Twentieth Century-Fox.

The company said results at its television network were ahead of company expectations, and would improve through the rest of the year.

The group reported earnings of $2.40 per share in the third quarter, compared with $2.72 last time after net income fell to $61.8m from $69.8m, on sales totalling $593.5m, against $568m.

At the nine-month stage net income fell sharply to $236.7m from $1.11bn, taking earnings down to $9.20, against $48.16. Sales for the period were ahead at $2.10bn, compared with $2.01bn.

But the nine-month figure for the 1988 period was distorted by e gain of $866.6m, or $33.70 a share, from the sales of the record operations to Sony of Japan.

May Stores to sell off Caldor operation

MAY Department Stores, one of the largest retailing group's in the US, is to sell its Caldor discount store operation for $500m in cash plus assumption of $52m in debt to a newly formed management-led company, Agencies report.

May had said earlier this year that it eas exploring the sale of its Caldor and Venture operations to allow it to focus on higher return and faster growing department stores.

The company acquiring May is CAL Holdings, formed by Odyssey Partners LP; Caldor management led by Mr Don Clarke, chairman and chief executive, and Mr Marc Balmuth, president, and Donaldson, Lufkin & Jenrette Capital.

May will also acquire a 20 per cent equity interest in Odyssey's acquisition entity. It expects an immaterial book loss on the transaction which is scheduled to close in early November.

In an unrelated move, May said it was planning to distribute to shareholders the shares of its Venture division, in a tax-free spin off, subject to e favourable Internal Revenue Service ruling.

May operates 118 Caldor stores in eight states in the Northeast and 75 Venture stores in eight states in the Midwest.

Mexican company raises $150m on capital markets

By Andrew Freeman

A PRIVATE SECTOR debt deal for a Mexican borrower was launched in the international capital markets yesterday by Citicorp Investment Bank.

The deal is thought to be the first of its kind since Mexico's debt rescheduling crisis began in 1982, although there may have been issnes which attracted no publicity.

The $150m private placement for Sunbelt Enterprises carries the unconditional guarantee of its parent, Cemex, a Mexican conglomerate which is the world's fourth largest cement company.

Sunbelt is an operating subsidiary of the parent company which is based in the Cayman Islands. Banco Nacional de Mexico acted as financial consultant to the issue.

The two-year notes offered an 11 per cent conpon and were priced at 92.6539. Fees were not disclosed and the deal is not listed on an international exchange.

Ito-Yokado edges higher

By Our Financial Staff

ITO-YOKADO, a leading Japanese supermarket chain, lifted first-half consolidated net profit 4.2 per cent to Y26.8bn ($185m), although sales rose over twice as fast, by 9.8 per cent to Y814.6bn.

By contrast, for the parent company alone, where sales grew 8 per cent to Y614.5bn, profits kept pace. At the pre-tax level they were up 8.2 per cent to Y38.1bn and on a net basis emerged at Y20.1bn, 14 per cent higher.

Ito-Yekado controls just over half of Seven-Eleven Japan, a chain of convenience stores.

The parent revised forecast for parent earnings per share in the full year to February downward, to Y96.10 from Y96.44 despite revising its sales upward to Y1,240bn from a previousiy forecast Y1,230bn.

Interim earnings were Y49.45 per share against Y48.13, and the dividend is being held at Y11.

Laidlaw Transportation forges ahead

By David Owen in Toronto

LAIDLAW Transportation, the Canadian waste management and school bus company with links to ADT — the UK managed electronic security protection and vehicle auction group — has ended the year on a strong note with fourth-quarter income almost doubling.

Earnings were spurred in part by an unspecified US$12.3m extraordinary credit. This also helped to push full year profit ahead by fully 48 per cent from year earlier levels.

In all, fourth-quarter income, including the credit, rose to $71.1m or 32 cents a share, compared with $36.9m or 19 cents a year ago. Revennes advanced 22.8 per cent to $345.9m. For the year ended August, profits totalled $210.8m or $1 on revenues of $1.41bn, versus $147.4m or 76 cents on revenues of $1.18bn in 1988.

Average shares outstanding rose from 177m to 202.7m, dne principally to a C$500m issue of non-voting stock last Spring.

The group, in which conglomerate Canadian Pacific holds a large voting stake, also announced it intended to change its name to Laidlaw Incorporated.

The existing name, the company said, was "no longer representative of the company's affairs."

● *Gandalf Technologies, the* Canadian group which specialises in equipment for inter-communication between computer systems, recovered in the fourth quarter to July 31, and says losses are now behind it, writes Robert Gibbens in Montreal.

Fourth-quarter sales rose 10 per cent to C$47m (US$40m) and earnings were C$1.8m or 15 cents a share, np from C$597,000 or 6 cents a year earlier.

For the full year, Gandalf earned C$377,000 or 3 cents, against C$6.6m or 56 cents e yeer earlier. Sales were C$167m, up 4 per cent.

The company has moved its circuit board manufacturing *from the US to Ottawa*, and has sold its Washington information systems office.

INTERNATIONAL COMPANIES AND FINANCE

A shooting star from the Punjab

Abhey Oswal, the Indian entrepreneur, speaks to **David Housego**

Mr Abhey Oswal, the Indian entrepreneur whose agriproducts, chemical and fertiliser group is raising more money on the Indian capital markets this year than virtually any other business house in India, was almost unknown four years ago.

His meteoric rise has been based on a shrewd mixture of exploiting the new opportunities opened up by liberalisation and of old-fashioned wire-pulling – Prime Minister Rajiv Gandhi laid the foundation stones for his new fertiliser complex at Shahajahanpur in northern India. Opinion is divided over whether he will build an industrial empire in rapid time or fall victim to too quick a growth path.

This month Mr Oswal is raising Rs5bn ($295m) in a convertible debenture issue through Bindal Agro, one of his flagship companies, to help finance the Rs8.95bn Shahajahanpur fertiliser project. He is visiting London to drum up subscriptions from among Indians living abroad.

Earlier this year he raised more than Rs4bn to finance his purchase of the 20-year-old Chembur chemical complex in Bombay from Union Carbide of the US and its planned renovation and expansion. These two issues combined put Mr Oswal just behind the Reliance group of Mr Dhirubhai Ambani as the leading fundraisers in the last 12 months.

With his flashy safari suits, raw bursts of laughter and Punjabi accent, Mr Oswal was long looked on as a provincial by the financial community of Bombay and Delhi. He split from his trading and industrial family based in Ludhiana in the Punjab seven years ago complaining they were too timid in their business strategy. He was given a company with a turnover of Rs140m a year. By 1991, as his current projects come to fruition, he expects his group will have sales of Rs10bn.

Like many industrialists who have expanded fast, Mr Oswal hit on a simple truth. This was that the financing costs of a big project could be dramatically cut by raising equity funds through India's newly developing capital markets instead of paying 14 per cent on loans raised through the state-owned financial institutions. Along with Mr Ambani, Mr Oswal was thus one of the entrepreneurs to spot the potential of India's vast reservoir of popular savings.

The Rs5bn issue for Shahajahanpur is structured so that Bindal Agro will be issuing only Rs1bn of shares at face value on which a dividend is due. The remaining Rs4bn will come from a premium payable by subscribers linked to the appreciation of the company's share price.

Thus with much lower servicing costs on capital than his competitors – but with similar other parameters in terms of administered prices and the cost of raw materials – Mr Oswal reckons his pre-tax profits will be double.

Mr Oswal is also using other simple techniques to cut costs. He plans to put the plant up in a record two years and to squeeze engineering costs by buying an off-the-shelf design using Snamprogetti technology. The plans will have a capacity of 2,250 tonnes a day of urea and 1,350 tonnes of ammonia.

The main weakness of the project is that the costing is based on the Government continuing with massive subsidies for fertilisers that the World Bank and others argue should be reduced.

Mr Oswal thinks this an advantage. "Subsidies have been in place for the last 18 years," he says. "How can a government remain in power if they were removed?" He adds that without them grain prices would be pushed impossibly high.

The Oswal group was a late bidder for the Shahajahanpur complex and won it, many believe, through back-door influence – Mr Oswal submitted a revised bid the day before the Cabinet committee was to reach its decision.

Mr Oswal has launched his fundraising campaign with bold posters proclaiming an "Oswal gold mine." He claims that over the last six years, the return on Bindal Agro shares – including both the dividend and the appreciation in the share price – has risen by an average 70 to 75 per cent a year. For the future he is a little more modest. He says: "I am happy if my shareholders get a minimum return of 40 per cent a year."

Other recent expansions by the Oswal group have also been carried through by defying conventional wisdom. The purchase last year of the Union Carbide Chembur plant, which had been closed for two years, cost him Rs600m. Most people thought he had paid too much for an outdated plant that was too small to be economic.

By contrast Mr Oswal considers the price, which included a portfolio of licences for petrochemical products, a cheap entry ticket to the fast-growing industry. With the Rs4bn he raised earlier in the year he is renovating the plant and doubling its low-density polyethylene (LDPE) capacity from 20,000 tonnes a year to 40,000 tonnes. He is also increasing the capacity of Chembur's naptha cracker from 80,000 tonnes to 300,000 tonnes a year.

To achieve greater economies of scale and integration, Mr Oswal is at the same time planning to take over another loss-making chemical unit located next to Chembur. His offer of Rs360m for the Ilac complex of Calico Printing Company of Ahmedabad, which produces PVC, is likely to be accepted. He will provide it with feedstock from the Chembur cracker, modernise it and increase its capacity. With the two sites he gets into the bargain 125 acres of prime industrial land in Bombay.

Earlier Mr Oswal bought from ICI of Britain its LDPE plant at Rishra in West Bengal which was making losses because ICI was unable to obtain adequate supplies from the state of Uttar Pradesh (UP) of its raw alcohol feedstock. Mr Oswal fixed matters with the UP Government in a way not possible for the British company. "That was why we were interested in buying it from them," says Mr Oswal disarmingly. Now he claims that a plant for which he paid Rs140m and in which he invested a further Rs15m is yielding him a profit of Rs110m a year.

Qantas sees lower profits after posting record year

By **Chris Sherwell** in Sydney

QANTAS AIRWAYS, Australia's government-owned international carrier, has foreshadowed reduced profitability in the current financial year after it reported record earnings for the year to June.

Figures released yesterday showed the airline achieved an operating profit of A$176.8m (US$147.3m) after tax and abnormal items. This compared with A$172.8m in the previous 15 months, when the airline changed its balance date from March 31 to June 30.

The abnormal items – principally the sale of aircraft – amounted to A$49.1m compared with A$116.9m in the 15 months before. Total revenues climbed to A$3.27bn.

Mr Jim Leslie, chairman, said the result was the highest in the group's 69-year history.

But he added that it "fell short of plan" because inbound tourism was less than predicted in the wake of the 1988 Bicentennial celebrations and Expo '88 and because the Australian dollar's exchange rate had remained strong throughout the year.

Significantly, he warned that uncertain market conditions resulting from the ongoing Australian domestic pilots' dispute, together with late delivery from Boeing of new 747-400 long-range jumbo jets "would adversely impact on profitability" in the current financial year.

These results, he added, would also depend on continued market growth in the Asia-Pacific basin, successful marketing of inbound traffic opportunities, rigorous control of costs and the impact of exchange rate movements.

His warnings are significant because the opposition Liberal Party and National Party coalition has put Qantas near the top of its list of targets for privatisation if it regains power at the next election, expected by the middle of next year.

Mr Leslie told a press conference yesterday that Qantas was currently discussing an alternative to privatisation with the Canberra Government.

The proposal would involve creating a separate new company to which the public and investment institutions could subscribe.

It would make loans to Qantas, which would be its only asset.

GOLDEN DUMPS GOLD QUARTERLIES

	Gold produced (kg) Sep 89	Gold produced (kg) June 89	After-tax profit (Rm) Sep 89	After-tax profit (Rm) June 89	Earnings per share (cents) Sep 89	Earnings per share (cents) June 89
Cons Modder	591	451	0.39	0.41	1.1	1.2
South Rood	302	262	0.45	(0.04)	2.1	(1.4)

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Golden Dumps' mines increase milling rates

By **Jim Jones** in Johannesburg

SOUTH ROODEPOORT and Consolidated Modderfontein, the two small gold mines managed by the Golden Dumps group, increased their ore milling rates during the September quarter.

The move was aimed at counteracting the effects of a squeeze of higher production costs and the stagnant gold prices.

Neither of the two mines has sufficient higher grade reserves to permit an increase in overall gold recovery grades.

However, the greater milling rates allowed South Roodepoort to reduce the unit cost of mining and processing each ton of ore.

Some quarters ago Consolidated Modderfontein had to borrow to fund a series of losses. As a result, its pre-tax profits have been largely absorbed by interest payments in the most recent quarters.

The narrow profit margin has prevented the mine from spending on capital works for the past two quarters.

Management still hopes profits can be improved by exploitation of richer ore, which is believed to be contained in an ore shoot which is likely to be probed underground soon.

South Roodepoort is less affected by interest payments. Its lower unit costs allowed the mine to return to profits after generating a loss in the June quarter.

Underground development rates have been increased to maintain available ore reserves.

TOTAL GROUP

TOTAL COMPAGNIE FRANÇAISE DES PETROLES

FINANCIAL POSITION – FIRST HALF 1989

At its meeting on 10 October 1989, tha Board of Directors of TOTAL Compagnie Française des Pétroles reviewed the financial results of both the consolidated Group and its parent company for the half-year ending 30 June 1989.

I. CONSOLIDATED ACCOUNTS

(F million)

	1st half 1988	Year 1988	1st half 1989
Turnover	40,027	83,290	51,131
Funds ganerated from operations	2,636	7,153	5,635
Consolidated Group profit	320	1,955	2,293
Minority interest	–83	–476	–386
TOTAL CFP share	237	1,479	1,907

Turnover is higher as a result of the rise in oil prices and the strengthening of the US dollar plus the increase in the voluma of sales.

Funds generated from operations and the Group profit both include a stockholding gain put at F1,700 million (Group share F1,470 million) which is attributable to rising prices. This is a reversal of 1988 stockholding movements, which had shown a loss of F390 million in the first half and F600 million for the whole year, of which the Group's share was F580 million.

The oil exploration and production sector benefited from an uptum in prices, except in the United States where the level of gas prices remained low.

Funds generated from operations and results for the refining and marketing sector showed marked recovery on the previous year. Margins based on latest available spot finished product prices were in fact positive, despite the rise in crude oil prices, and consequently the accounting result was higher than the effect of stockholding movements.

The "chemicals" sector, particularly the HUTCHINSON group, shows further progress.

II. PARENT COMPANY

TOTAL CFP parent company's profit amounted to F652 million against F465 million for first half 1988 and F1,022 million for 1988 as a whole.

This figure includes F839 million of dividends received out of a total of F1,520 million to be received in 1989. At 30 June 1988 dividends received had been F891 million out of an annual total of F1,672 million. Provisions set aside for risks amounted to F348 million.

TOTAL

5, rue Michel-Ange, 75781 PARIS, CEDEX 16 France.

INTERNATIONAL CAPITAL MARKETS

Issues decline as traders await figures on economy

By Andrew Freeman

NEW ISSUE volume declined sharply on the Eurobond market yesterday ahead of important economic figures today and next week. Many syndicate officials were still working to place some of the deals launched this week.

INTERNATIONAL BONDS

Two five-year Ecu deals emerged, an Ecu100m issue for the Republic of Austria having the better reception. The bonds, brought by Merrill Lynch, *offered a coupon of 9⅛* per cent and an annual yield at less 1⅞ fees of 9.09 per cent.

This gave investors a good pick-up over existing secondary *market Austrian* paper, while traders also reported good two-way activity in the World Bank's five-year benchmark as some accounts *switched into the new paper.*

Merrill was quoting the bonds at less 1.85 bid, a discount equivalent to full fees. Proceeds were thought to have been *swapped into floating-rate* Ecus and D-Marks, but the lead manager would not comment.

IBJ International was unfortunate in coinciding with the *Austria deal when it launched* an Ecu100m issue for Cariplo with a 9¼ per cent coupon. Although the bonds offered a generous yield of 9.28 per cent, they met patchy demand from investors, and traded outside fees. Dealers said there was little interest in Italian bank names following the recent BNL scandal.

IBJ was quoting the bonds at less 2 bid, while late in the day the price fell as low as less 2.15 bid, against full fees of 1⅞ per cent. It is thought proceeds were swapped into floating-rate US dollars to achieve a funding rate of around 20 basis points below Libor.

A zero-coupon A$160m deal for Kansallis Osake Pankki was described by Fuji International, the lead manager, as a private placement unlikely to *be widely traded.*

In Switzerland, a SFr70m deal with equity warrants was brought for Sakai Heavy Industries by Bank Julius Baer. The bonds traded at a ½ point premium to the par issue price.

The Oesterreichische Länderbank SFr100m deal with *warrants traded for the first* time on the secondary market and closed at 108½, compared with a par issue price.

Recent new issues showed *some resilience in the face of falls on the Tokyo stock market.* The Rohm convertible launched on Wednesday dropped by ¾ point to 101 bid.

The SFr100m convertible issue for Carter Holt Harvey launched in August by Warburg Soditic was trading in the secondary market at 98¼ bid.

In Germany, a DM75m deal with warrants for Fuji Kagakushi was quoted by Deutsche Bank at 98½ bid, inside fees.

The National Bank of Hungary DM200m 8 per cent issue was trading around less 2.85 bid, down 15 pfennigs from Wednesday's close.

● A DM500m medium-term note (MTN) programme for Union Bank of Finland has been arranged by Deutsche Bank. Drawings are expected to begin this month in minimum tranches of DM5m.

The programme is the first by a foreign bank, and only the second to take advantage of regulatory changes by the Bundesbank allowing continuous offerings of securities like MTNs. Dealers will be Deutsche Bank, Crédit Suisse (Frankfurt) and Morgan Stanley (Frankfurt).

The programme is viewed as a private placement, with no *public prospectus available. It* will be listed in Frankfurt on the unregulated market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Austria, Republic of(a)♦	100	9⅛	102	1994	1⅞/1¼	Merrill Lynch Int.
Cariplo (London)(a)♦	100	9¼	101¾	1994	1⅞/1¼	IBJ Int.
US DOLLARS						
Sunbelt *Enterprises*★★♦	150	11	92.6530	1991	n/a	*Citicorp Investment Bank*
AUSTRALIAN DOLLARS						
Kansallis Osake Pankki(a)♦	160	Zero	25¾	1999	1¼/¾	Fuji Int.
D-MARKS						
Fuji Kagakushi Kogyo♦	75	(1½)	100	1994	2¼/1½	Deutsche Bank
SWISS FRANCS						
Sakai Heavy Ind.♦★★	70	1⅝	100	1993	1½	Bank Julius Baer
Hoxan Corp.(b)★★§♦	50	¼	100	1994	1½	SBC

★★Private-placement. ♦With equity warrants. §Convertible. ♦Final terms. a) Non-callable. b) Yield to put 3.427% (indicated at 3.8%).

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅜ 95	600	103¼	103⅝	0	+1⅛	8.60
Austria 9⅝ 93	140	102¾	102⅞	0	+0⅝	8.76
B.F.C.E. 8¾ 94	175	98⅞	99¼	0	+0⅞	8.59
B.F.C.E. 9¼ 95	150	102⅛	102⅝	-0⅛	+1	8.72
Brit. Tel. Fin. 9⅝ 98	250	103¾	104⅛	0	+1¼	8.73
Canada 9 96	1000	102⅞	103⅛	-0¼	+1⅛	8.38
Canadian Pac 10¼ 93	100	*102½	102½	0	0	9.87
C.C.C.E 9¼ 95	300	102¼	102½	0	+1	8.69
C.N.C.A 9⅞ 93	150	101½	102	+0¼	+1	5.87
Credit National 8⅛ 93	200	98⅛	99	-0⅛	+0⅝	8.65
Credit National 7¾ 92	100	96¾	97⅛	0	+0⅝	8.71
Credit National 9½ 92	100	†101½	102	0	+0⅝	8.82
Dai-Ichi Kan 9⅝ 92	150	101⅞	102¼	-0⅛	+0⅝	8.82
Denmark 8¾ 94	150	98	98½	0	+0⅞	8.70
E.E.C. 7 91	100	96¼	97¼	0	+0⅝	8.57
E.E.C. 10 93	140	103⅞	104⅛	+0⅛	+0⅞	8.62
Eurofima 10⅛ 93	100	†104⅛	104½	0	+0⅝	8.61
Elec. De France 9 98	200	101⅞	102¼	0	+1¼	8.62
Elec. De France 9½ 99	200	104⅝	104⅞	-0⅛	+1	8.74
Finland 9 96	250	101½	101⅞	-0⅛	+1	8.65
Finn. Exp. Cd. 8½ 92	200	99½	100⅛	-0⅛	+0⅝	8.58
Finn. Exp. Cd. 9⅛ 95	200	102½	103	-0⅛	+0⅞	8.77
Ford Motor Credit 8 93	250	†98½	99	0	+0½	8.90
Gen. Elec. Cap. Corp. 9 93	500	†100⅞	101¼	0	+0⅞	8.65
Gen. Elec. Cap. Crp. 10 1/2 91	300	102	102½	0	+0⅝	8.68
G.M.A.C. 9 96	300	100¼	100⅝	0	+1⅛	8.91
Gen. Mtrs. Corp. 9¼ 92	200	†100⅝	101⅛	-0⅛	+0⅝	8.73
IBM Credit Corp. 8⅞ 91	250	100⅝	101	0	+0½	8.52
IBM Credit Corp. 9 92	250	101⅛	102	-0⅛	+0⅝	8.29
IBM Credit Corp. 9½ 92	250	101½	102	-0⅛	+0⅝	8.60
IBM Credit Corp. 10 92	200	103	103⅜	-0⅛	+0½	8.56
Italy 9½ 95	1000	103⅝	104⅛	0	+1⅛	8.65
Italy 9⅝ 99	1000	105⅛	105½	-0⅛	+0⅞	8.77
Koll C. W/W 4⅝ 94	1000	†100	101	+0½	-0½	4.50
Japan Dev. Bank 10 96	200	106⅛	106⅝	-0⅛	+1	8.69
KFW Intl. Fin. 9 94	300	101⅛	101⅝	0	+1⅛	8.61
L.T.C.B. of Japan 9¼ 92	200	100⅞	101⅛	-0⅛	+0⅝	8.85
Metropolis Tokyo 9½ 93	200	102¼	102⅝	-0⅛	+0½	8.60
Nippon Tel.&Tel. 9⅞ 98	250	103⅝	104⅛	-0⅛	+1	8.73
Norway 8⅛ 93	500	100½	101	-0⅛	+0⅞	8.46
Portugal 8¼ 91	300	†98¾	98¾	0	+0⅛	9.34
Sumitomo Bank 9⅝ 92	150	†102	102½	0	+0⅝	8.73
Sumitomo Corp. W/W 4 93	1500	†108½	109½	+3½	-0½	1.49
Sweden 8¼ 96	200	*100⅛*	*100⅞*	0	+1	*8.58*
Sweden 8½ 92	200	†98	98½	0	-0⅛	9.21
Toyota 9½ 91	200	101½	102	+0⅛	+0⅝	8.55
Toyota Mtr. Corp. W/W 4 93	1500	†105½	106⅛	0	+4⅛	2.27
Victorian Rep 11⅝ 92	150	105⅝	106	0	+0⅝	9.00
World Bank 8⅝ 99	1500	100⅛	100⅝	+0⅛	+0⅝	8.48
World Bank 9 97	300	101⅞	102¼	0	+1	8.63
World Bank 9 93	300	101¼	101⅝	0	+0⅛	8.53
World Bank 9¼ 98	300	103⅜	103¾	-0⅛	+1	8.67
World Bank 9⅝ 99	300	105⅝	106	-0⅛	+0⅞	8.68
World Bank 9¼ 96	300	105	105⅛	0	+0⅞	8.67

Average price change... On day +0⅛ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	94¾	95¼	+0¼	+0½	7.21
Austria 6⅜ 99	750	†96¼	96½	-0⅛	-0¼	7.28
Bk. Frgn. Econ. USSR 7 96	750	*94½	95½	0	+0¼	8.01
Bank of Tokyo 5¾ 93	100	94½	95	0	+0¼	7.55
Commerzbank o/s. 5¾ 93	300	93½	94	-0⅜	-0½	7.61
Credit Foncier 6⅜ 99	500	96¾	96¾	-0¼	-0⅜	6.31
E.I.B. 6¼ 99	600	92¾	93¼	-0½	-0½	7.31
E.I.B. 6½ 99	300	†94½	95	-0¼	-0½	7.28
E.I.B. 6¾ 96	600	96½	96⅞	-0¼	-0⅞	7.33
E.I.B. 6¾ 95	300	97¾	98¼	-0¼	-0½	7.29
Euro. Coal & Steel 5¼ 97	175	92	92½	+0⅛	+0⅛	7.27
Eurofima 6¾ 96	100	93½	94	0	-0⅝	7.46
Elec Dv France 5¾ 97	300	90½	91	-0¼	-0¼	7.36
Hydro-Quebec 6¼ 99	300	†96	96½	-0¼	-0½	7.30
Japan Dev. Bk. 5¾ 95	300	†90⅝	90⅞	-0⅛	+0¼	7.49
Japan Finance 5¼ 97	100	90¾	91¼	0	-0½	7.42
I.A.D.B. 7¼ 99	300	99	99½	-0⅞	-0½	7.35
Ireland 6½ 97	300	93½	94	0	0	7.61
Ireland 7¼ 99	500	98⅜	98⅞	-0¼	-0⅜	7.45
Malaysia 6¾ 94	150	95¼	96¼	0	0	7.27
Nat. West BK. PLC 6 98	300	†90½	91	0	0	7.50
N.H.L. Finance 6¼ 95	200	†91¼	92¼	0	+0¼	7.96
Nippon Telg.&Tel. 6 95	400	†94	94½	0	-0⅞	6.48
Oesterr. Kontbk. 5 93	300	92¾	93¾	-0¼	-0¼	7.50
Portugal 5¾ 92	150	95¾	96¼	+0¼	0	7.37
Portugal 6⅜ 95	150	97	97½	-0¼	-0½	7.21
Privatbanken 5¼ 93	150	92⅞	93¾	-0¼	-0⅛	7.66
Royal Insurance 5½ 92	300	95	95½	-0½	-0¼	7.64
Turkey 6½ 95	500	†92¼	93¼	-0⅝	-0⅞	0.09
Union Bk. Finland 5½ 94	200	†92½	93	-0½	-1⅛	7.54
World Bank 6 98	300	†91½	91¾	-0¼	-0½	7.30
World BK. 6¾ 97	600	93⅜	93¾	-0¼	-0¼	7.91
World Bank 6¼ 99	600	96¼	96½	-0¼	-0¼	7.27

Average price change... On day -0¼ on week -0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†90	91	-1	-0½	6.79
Asfinag 5 03	100	†88½	89½	+0¼	+1½	6.20
B.F.C.E. 4½ 98	200	†89	90	+0¼	+0½	6.08
B.M.W. Fin. Neth. 5 13	150	†86	86¼	-0⅞	0	6.13
Britannia B/S. 4¼ 94	100	†87	89	-1⅝	-1⅜	7.38
CIR. Int. W/W 3 93	125	†88½	88¾	-0¼	-0½	6.49
Credit Lyonnais 4¼ 00	100	†88¾	89	+1⅞	+1⅝	6.21
E.I.B 4⅝ 98	150	†88	89	0	-1	6.38
Finn. Exp. Cd. 6¾ 92	75	†100½	100¾	0	+0⅛	8.00
Fletcher Chall. 4⅞ 98	150	†81½	81¾	-0¼	+0⅝	7.92
I.A.D.B. 6 2004	200	†97⅜	98	-0¼	-0¼	6.22
Kobe City 4⅝ 98	150	†88⅝	89½	+0⅝	+0½	6.30
Leeds Perm. B/S. 4¾ 93	200	†90½	91½	+1	+1	7.10
Malaysia 5¼ 98	100	†81¼	82	+0⅝	-2½	8.26
Maxwell Comm. Crp. 5 95	150	†83¾	84	-1⅝	+2¾	8.71
Nat. Bk. Hungary 5⅛ 94	75	†89	90	-0½	-0¾	8.05
Nationwide Ang. B/S. 4 93	200	†90	90⅛	-0⅜	0	7.14
Prov. Newfoundland 5 03	150	†85	86	-1	0	6.60
Thailand 4⅝ 95	200	†83	84	+0¼	+1¼	8.35
World Bank 5 03	150	†86¾	87	-0¼	-0¼	6.46

Average price change... On day -0¼ on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅜ 91	80	100¼	100½	0	-0¼	5.80
Canada 5⅝ 93	80	99¾	100	-0¼	-0⅛	5.65
Eurofima 5 1995	20	96⅛	97	-0⅛	-0⅝	5.70
E.I.B. 4⅞ 93	30	97¼	97½	-0¼	-0½	5.74
Ireland 5¼ 93	30	97⅜	98¼	-0¼	-0½	5.75
Norway 5⅛ 95	50	97½	97¾	-0⅜	-0¼	5.63
Sweden 4⅝ 93	50	96⅜	96⅝	-0¼	-0½	5.72
World Bank 5⅝ 98	10	96⅞	97⅛	-0⅜	-0⅜	5.56
World Bank 7 94	20	104⅞	105¾	-0⅜	-0¼	5.71

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	†97⅛	97⅝	-0⅛	+0⅞	10.96
Abbey Nat. 11¾ 95 £	100	95⅝	96⅛	+0⅛	-0⅞	12.70
Aegon 7¾ 92 FL	100	99¾	100¼	+0⅛	0	7.90
Alg. Bk. Ned. 5¾ 93 FL	200	93⅜	93⅞	+0⅝	-0⅛	7.93
Austria 7¾ 94 ECU	100	95⅛	95½	-0½	-0⅛	8.81
Bk. Nova Scot. 14⅞ 90 A$	75	†95¾	96¾	0	0	18.27
Barclays Aus. 13½ 91 A$	100	95⅛	95⅝	0	+0¼	16.38
Belgium 8⅛ 94 Ecu	150	97¾	97⅞	-0¼	-0⅛	8.81
BP Capital 9¾ 93 £	100	91¾	91¾	-0⅛	-0⅞	12.86
British Airways 10 98 £	100	88⅜	88⅞	-0¼	-0⅜	12.21
Brit. Telecom 9½ 93 £	150	91¼	91¾	+0⅝	-0⅞	12.67
Comm. Bk. Aust. 12⅞ 93A$	100	†91⅞	92⅜	-0⅛	-0¼	15.55
Comm. Bk. Aus. 13⅜ 94 NZ$	60	103⅞	104⅝	0	-0⅝	12.50
Credit Foncier 9 96 Ecu	100	100¼	100½	-0⅛	-0¼	8.91
CrLocalFrance 9¼ 92Ecu	100	100½	101¼	-0¼	-0⅛	8.88
Deut. Bk. Aus. 13¾ 93 A$	125	95	95¾	-0½	-0⅜	14.96
Deutsche Bk. Fin. 15 94 A$	100	100½	101¾	+0¾	+0⅜	14.64
E.I.B. 7 96 LFr	100	†95¼	96¼	-1¼	-1¼	7.87
E.I.B. 7¼ 99 FL	150	96½	96⅞	-0¼	-0⅜	7.62
E.I.S. 9 99 Ecu	150	100⅝	101¼	+0¼	-0¼	8.85
Eurofima 7⅝ 94 Ecu	100	95¾	96¼	-0¼	-0⅛	8.76
Export Dv. Crp. 8¾ 92Ecu	100	99¾	99⅝	-0⅜	-0¼	8.93
Fed. Bus. Dv. Bk. 9 94 Ecu	100	100	100⅜	-0¼	0	8.94
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97½	98	-0¼	0	10.72
Fed. Bus. Dv. Bk. 10½ 93C$	50	†99	99½	-0⅜	+0½	10.72
Ferrv. Stato 7¾ 93 Ecu	100	95⅝	96¼	-0¼	0	9.06
Ford Cr. Can. 10⅜ 93 C$	100	†99⅜	99⅞	-0¼	+0⅝	10.84
Ford Cred. Can. 10⅞ 96C$	125	100½	101½	-0¼	+0⅝	10.65
Ford Cred. Fund. 10¾ 93£	60	93¾	94¼	-0½	-1¼	12.71
G.M.A.C. Canada 11 3/4 94C$	100	102½	103⅛	-0¼	+0⅝	10.90
Heineken 7⅝ 94 FL	150	100½	101⅛	-0¼	-0¼	7.71
Hydro-Quebec 11 99 C$	400	102⅜	102⅞	-0⅜	+0⅞	10.54
Lloyds Bank 10¼ 98 £	150	89⅝	90¼	0	-0¼	12.19
Lloyds Bank 11¾ 98 £	100	93¾	94⅜	0	-0¼	12.49
Montreal Tst. 10⅜ 93 C$	100	†98¾	99¼	-0¼	+0½	11.05
Nat. Aus. Bk. 14¾ 94A$	100	97⅜	98⅜	-0¼	-0¼	15.33
New Zealand 9½ 93 £	100	90⅝	90⅞	0	-0½	12.91
O.E.K.B. 10¼ 99 C$	150	98⅝	99¾	-0⅜	+0¼	10.42
Privatbanken 7½ 94 LFr	500	†97	98	-0½	0	8.18
Royal Bk. Scot. 10⅝ 98 £	125	91⅞	92¾	+0¼	-0½	12.19
Saskatchewan 9¼ 91 C$	150	†97⅞	98¾	-0⅜	0	11.04
Saskatchewan 10¼ 93 C$	200	98½	99½	-0¼	+0½	10.63
State Bk. NSW. 13⅞ 93A$	100	94¾	95¾	0	-0¾	15.56
Sweden 7½ 93 Ecu	250	95¾	95⅝	-0⅜	-0¼	8.89
Sweden 15 94 A$	100	100⅞	101⅜	-0¼	0	14.56
Toyota Mtr. Cr. 11⅜ 92C$	150	101	101¾	-0¼	0	10.74
World Bank 7¾ 99 FL	300	96¼	96⅜	-0¼	-0⅞	7.64
World Bank 13⅝ 92 A$	100	97	97½	0	-0¼	14.58
World Bank 14¼ 94 A$	75	98⅝	99¼	-0⅜	0	14.55
Zentrspk. 13¼ 93 A$	75	†94⅞	95⅜	0	+0¼	14.96

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.98	100.03	24/10	14.08
Bank of Greece 99 US	0¼	99.68	99.78	8/03	9¼
Belgium 91 US	0	100.17	100.27	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.77	99.82	30/11	14.06
Credit Foncier 98 US	.063	99.99	*100.09*	*20/10*	*10.16*
Dresdner Finance 99 DM	.031	99.87	99.97	30/10	6.97
EEC 3 92 DM	0	100.06	100.17	22/02	6¾
Halifax BS 94 £	.1	100.09	100.14	9/11	13.97
Invt. in Industry 94 £	0⅛	99.97	100.07	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.17	100.22	13/10	14.06
Milk Mkt. Brd. 5 93 £	0⅛	99.93	99.98	29/12	14.94
New Zealand 5 97 £	*.07*	99.92	*100.02*	*18/11*	13.19
Northern Rock 92 £	0½	99.86	99.91	20/01	5¼
State Bk. New. 98 US	.188	100.21	100.31	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	100.16	100.21	13/10	14.06
Woolwich 5 95 £	0⅛	99.94	99.99	21/11	14.06

Average price change... On day +0.00 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	127¼	128¼	-0⅝	2.36
Amer. Brands 7¼ 02 US	9/87	56.7	129½	130½	-3¼	-1.72
CBS. Inc. 5 02 US	4/87	200.	106	107	-0¼	2.65
Dai-Ichi Kan. 3¼ 04 US	7/89	3486.	96⅝	97⅝	-2¾	3.14
Primerica 5½ 02 US	4/87	66.75	73½	74½	0	68.12
Eng. China Clay 6½ 03 £	9/88	4.8	92¼	93¼	-0½	7.80
Fujitsu 3 99 US	5/84	1106.	219¾	221	-5¾	-2.52
Ladbroke 5⅛ 04 £	10/89	7.1	101	102	-1	136.28
Land Secs. 6¾ 02 £	6/87	6.72	89¾	90¼	+0⅞	16.21
Minolta Camera 2¼ 94DM	2/86	1004.	109¾	111¼	-1½	6.17
MCA Inc 5¼ 02 US	10/87	69.62	107	108	+0¼	7.69
Mitsubishi Bk. 3½ 04US	5/89	3266.	91¼	92¼	-0⅝	3.22
Next Plc 5¾ 03 £	11/87	4.3	97¾	98¾	0	320.86
Nikki Mpn. Bk. 2⅞ 03 US	4/88	804.	124½	125½	0	-2.43
Omnicom Inc. 6 1/2% 04 US	10/89	28.	104⅛	105⅛	+0⅛	14.88
Onrow Tateisi 2⅝ 02 US	4/87	1310.	314½	315¼	-4	-3.31
Ranks Hovis 4⅞ 03 £	1/88	3.5	124¼	125¼	+0⅛	0.27
Redland 7¼ 02 £	11/87	5.4	97	98	-0⅝	7.67
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	93¼	94¼	+0⅛	20.13
Silicon Graphics 8 04 US	4/89	23.18	112¾	113⅝	+1¼	11.98
Sumitomo Bank 3¾ 04 US	2/89	4296.	81¾	82¾	+0¼	15.98
Texas Inst. 2¾ 02 US	9/87	82.87	76¾	77¾	-0¼	67.66
Utd. N'papers 8 04 £	10/89	8.77	108⅝	109⅝	-2¾	118.87
W.R. Grace 6¾ 02 US	9/87	42.12	98¼	99¼	-1	17.18

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

New rules for Nymex cleared by CFTC

By Rachel Johnson

STRICT NEW rules to curb disreputable market practices became effective yesterday, following the clearance by the Commodity Futures Trading Commission (CFTC) of regulations for the New York Mercantile Exchange (Nymex) – the world's largest oil futures exchange.

The rules are part of the CFTC's policy of looking for constructive changes in ethical guidelines at Nymex, a fast-growing exchange.

Under the new regulations that Nymex may now enforce, dual trading – when brokers deal for themselves as well as their clients – can result in mandatory suspension. Previously, suspension was optional.

Suspension will be mandatory for anyone "found to have engaged in fraud or deceit in connection with a customer order." Dual trading has been under scrutiny for some time, as a result of federal investigations into trading abuses on US exchanges. Additionally, the execution of crosstrades, when a member can fulfil a customer order only by buying or selling at an artificial price, will be forbidden.

Maximum fines for major offences will more than double, and suspension will no longer be limited to one year. *The maximum penalty* will rise from $100,000 to $250,000, while that for minor offences will double to $10,000.

Conduct and adjudication committees will be restructured. Rather than assess hearings case-by-case, the exchange will have permanent panels. Their members will be screened for "disciplinary history," will be representative of the exchange's different groups, and will include one member of the public.

The changes were recommended by a task force created in February to study the exchange's performance as a self-regulatory organisation. The rules and penalties introduced yesterday were approved by Nymex's board in August, and demonstrate the exchange's "commitment to market integrity" and its "determination to remain a leader in the area of self regulation," said Mr Lou Guttman, chairman of the board.

His predecessor, Mr Bill Bradt, resigned last year following a critical report by the CFTC.

NZ Government acts to reassure BNZ investors

By Terry Hall in Wellington

MR DAVID CAYGILL, the New Zealand Finance Minister, intervened yesterday in the controversy over whether the Government should have supported DFC New Zealand, the collapsed merchant bank, by reassuring international investors that Bank of New Zealand (BNZ), the largest domestic institution, retains full state backing.

His statement followed an announcement by Moody's Investors Service, the New York rating agency, that it was reviewing Bank of New Zealand's prime-1 credit rating.

Mr Caygill's statement followed the confusion that followed the Government's refusal to give guarantees to the former government-owned DFC. This bank collapsed last week, owing hundreds of millions of dollars to American and Japanese banks. Several groups of Japanese bankers talked yesterday with the governor of the reserve bank, arguing that they believed their investment in DFC to have an implied government guarantee.

Mr Caygill says the Government is still the majority shareholder in BNZ, unlike DFC which had been privatised. The 80-per-cent holding in DFC was sold to the National Provident Fund, a pension scheme formerly run by the Treasury, and the remaining 20 per cent to Salomon Brothers, the US investment bank.

Mr Caygill said the Government remained the main shareholder in BNZ and its support was demonstrated by its injection of NZ$600m (US$353m) this year to help it recapitalise after the stock market crash. He said that the Government had no immediate plans to relinquish this shareholding.

Moody's said its review of BNZ would focus "on the predictability of future capital support in the light of possible further deterioration in the BNZ's asset quality because of recent bankruptcies and the illiquidity of the New Zealand property market."

Another agency, Australian Ratings, also said it would review the BNZ rating because of the collapse of the DFC. However, a representative, Mr Neville Norman, said he did not expect any change.

INTERNATIONAL CAPITAL MARKETS

Treasuries regain ground due to soft Fed funds rate

By Janet Bush in New York and Rachel Johnson in London

US TREASURIES moved higher yesterday in response to a soft Fed funds rate which many in the market interpreted as a sign that the Federal Reserve has eased policy.

Market talk continues to be dominated by the question of *whether the Federal Reserve* is already in a stealthy process of easing monetary policy or whether policy is unchanged. Yesterday, the balance of opinion shifted in favour of the former.

GOVERNMENT BONDS

In late trading, short-dated maturities, which are most directly sensitive to interest rate expectations, were as much as ¼ point higher while the Treasury's benchmark long bond was ½ point higher for a yield of 8.02 per cent.

The Fed continued to respond to its need this statement *fortnight to drain* substantial reserves by arranging four-day matched sales. That was interpreted by some in the market as a further sign that there has been no change in monetary policy and that the equilibrium rate for Fed funds is still at 9 per cent.

However, there are other bond market analysts who continue to believe that the Fed is already easing gradually. Drexel Burnham Lambert, for example, notes that the bottom end of the trading range of Fed funds has got progressively lower over the last few sessions. Drexel's bond analysts also note that, although the *Fed has not signalled an easing*, it has similarly chosen not to protest the soft Fed funds rate.

There was no important economic news yesterday and the market was positioning itself for today's September producer prices index, which is expected to have risen by as much as 0.8 points, and retail sales for September, which are expected to have been roughly unchanged last month.

■ MOVEMENTS IN the UK Government bond market closely tracked the words of the Chancellor of the Exchequer, Mr Nigel Lawson, at the Tory Party Conference.

Before he gave his keynote speech, gilts rose ⅛ in reaction to sterling's improved performance on the foreign exchanges. It was trading at DM2.97.

However, during the afternoon speech, the market reacted disappointedly because the Chancellor was not delivering the strong policy statements it had hoped for, and the pound dropped to DM2.95.50.

"When it became clear he wasn't going to mention the EMS, it went about three or four ticks lower," said a dealer. Gilts then came up a couple of ticks in relief that the Chancellor had announced no major policy U-turns.

Short-dated stocks finished unchanged. For example, the 10.5 per cent Treasury due 1992 opened and closed at 96⅝. Medium-dated 10-year stocks crept up in yield, with the 10.5 per cent Treasury due *1999* closing at 98⅞, from 98⅞.

There were stronger performances among longer maturities. The Benchmark Treasury 11¾ per cent due 1003/07 opened at 110⅞, to close a "magnificent" 13 ticks higher at 110⅞. Futures prices also rose – the long gilt closed seven ticks higher than it had opened.

■ INVESTORS WERE beginning to feel confident about the German government bond market again, and yesterday saw some buying interest in longer-dated stocks.

"There is a marginally better tone to the market," said a trader. Bunds were fixed about 35 to 45 lower than the previous dey, and those levels remained the day's lows. The January 1999 bund attained Wednesday's high prices to yield 7.08 per cent, after its fixing at 7.12.

Renter adds from Helsinki: A government plan to introduce e tax on corporate foreign borrowings is a retrograde step which will cost compenies more than FM300m a year, according to the Confederation of Finnish Industries.

The proposal to levy a 0.5 per cent credit tax on foreign borrowings by companies, agreed by ministers on Tuesday and sent to the president's state council yesterday, is dne to come into effect on February 1.

Mr Tarmo Korpela, the confederation's deputy director general, said: "Normal financial markets are not familiar with such taxes. It is in some ways a step back."

However, he added, "We have been against such a credit tax, but compared to earlier plans, this is a real improvement."

In its 1990 budget proposal, the Government had originally said it intended to levy a 1.4 per cent tax on borrowing abroad.

Under the latest plan, it is also proposing that where a company has a foreign credit limit, it should pay 0.5 per cent tax on that limit. It also plans to cut stamp duty on domestic borrowing to 1.5 per cent from 1.6 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-03	+2/32	11.80	12.00	11.06
		8.750	1/98	95-19	+3/32	10.75	10.72	10.31
		9.000	10/08	93-26	+6/32	9.72	9.58	9.40
US TREASURY *		8.000	8/99	99-22	+8/32	8.04	8.23	8.13
		8.125	8/19	101-04	+12/32	8.02	8.17	8.09
JAPAN	No 111	4.600	6/98	95.0153	+0.085	5.45	5.30	5.30
	No 2	5.700	3/07	104.5785	-	5.20	5.16	5.15
GERMANY		6.750	6/99	97.7000	-0.200	7.08	7.00	6.91
FRANCE	BTAN	8.000	7/94	95.0631	-0.070	9.31	9.27	8.76
	OAT	8.125	5/99	95.2100	-0.180	8.87	8.85	8.49
CANADA *		9.500	10/99	99.35	+0.25	9.61	9.72	9.51
NETHERLANDS		7.250	7/99	98.4200	-	7.48	7.40	7.29
AUSTRALIA		12.000	7/99	93.7971	-0.197	13.73	13.74	13.10

London closing, *denotes New York close
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Row looms as Senate considers futures Bill

By Katharine Campbell in Chicago

SECTIONS OF the fntures industry are up in arms about the contents of a Bill before the US Senate setting out the terms for the re-authorisation of the Commodity Fntnres Trading Commission (CFTC), the Federal futures watchdog. Re-authorisation is the process by which Congress extends the agency's mandate.

"This Bill will change the fundamental regulatory structure and operational nature of futures markets," said Mr Karsten Mahlmann, chairman of the Chicago Board of Trade.

But that is precisely what the US Congress intends to do. Fall-out from the indictments of 46 Chicago traders in August on wide-ranging trading fraud counts, and the emergency in the soya bean pit of the Chicago Board of Trade this summer, has left the futures indnstry with few friends in Washington.

Among the issues that concern the industry is the proposal that futures commission merchants (FCMs) should be liable for the activities of independent floor brokers who execute their orders in the market place and are not employees of the firm. Under the Senate proposals customers could sue FCMs rather than the independent brokers, even for punitive damages – a potentially open-ended liability.

Another grievance is the requirement for a tougher standard of audit trail. The two largest Chicago exchanges are well advanced with order entry systems, bnt contend that the three-year timetable set by the Senate for them to meet new standards is only feasible at vast expense.

The battle for a tongher audit trail was fought three years ago at the last re-authorisation *hearings of the CFTC*. The exchange got its own way when e requirement to stamp trades to the nearest minute was relaxed – but then the exchange had more influence in Congress.

And the Bill's proposal that the industry should help defray the costs of an increased budget for the CFTC also faces resistance.

BV steps forward in modest style

Haig Simonian on the expansion strategy of Bayerische Vereinsbank, West Germany's fifth largest bank

Rather than erecting yet another skyscraper to join the existing towers in Frankfurt's banking district, Bayerische Vereinsbank has more modest ambitions.

Its new Frankfurt office, which will house its current local workforce of 400 and *leave space for many more*, illustrates the Munich-based bank's aim to gain prominence in West Germany's financial capital without reaching for the stars.

Although it is the country's fifth-biggest bank, with total assets of DM163bn ($85bn) at the end of 1988, Bayerische Vereinsbank (BV) has never appeared *fully* to exploit its clout.

Despite fast expansion domestically and abroad in recent years, it still tends to be identified with its native Bavaria. Even there, it shares the limelight with the elightly smaller, bnt more profitable, Bayerische Hypotheken- und Wechsel-Bank (Hypobank).

Established in 1869, BV only opened its first branch outside Bavaria in the late 1950s. "No other bank has expanded more quickly since then both in Germany end abroad," says Mr Maximilian Hackl, its 64-year-old speaker (chief executive).

It now has eround 400 branches in Germany, with most concentrated in Bavaria and the south-west.

There has also been growth abroad. Last May it bought a stake in a new joint venture bank in Moscow, and next month sees the opening of its Athens branch – a first among German banks.

Meanwhile, its European network has been boosted by the acquisition of First Chicago's former Milan and Rome offices in *December 1987. And* with five branches in the US, it claims to be better represented there than any of its German counterparts.

But such expansion does not hide the continuing patchiness of its coverage. Beyond Bavaria and the south of the country, BV is represented *in only a handful* of big German cities. And while its foreign coverage is growing, its foreign representation is still sparse for a bank of its size.

This is the background to the flurry of rumours early this year that BV had decided to raise its 25 per cent stake in Vereins- und Westbank, a well-regarded *Hamburg bank*, which has some 220 branches *covering northern Germany*.

Taking over Vereins- und Westbank, the rumours ran, was to be the first step in a strategy which could include the incorporation of other regional subsidiaries, such as Simon Bank in Düsseldorf and Bethmann Bank in Frankfurt.

Both Mr Hackl and Mr Eberhard-Rainer Luckey, his counterpart at Vereins- und Westbank, forcefully denied the epecnletion. Bnt while BV insisted it had no plans to alter its structure, the incident drew attention to some of the bank's continuing weaknesses.

The idea of taking over Vereins- und Westbank kicked up so much fuss it has become taboo now. "There are ways to co-operate beyond taking stakes," says Mr Hackl, who insists that "neither directly nor indirectly have we made any attempt to raise our stake."

Instead, he draws attention to the close co-operation between the two, which has created benefits for both. Thus Schleswig-Holstein, the north German state, has provided BV with the highest growth in demand for mortgage lending – channelled through the local Vereins- und Westbank network – than any other part of Germany, he notes.

As a resnit, BV intends to keep its subsidiaries separate. "Our philosopby is thet it's better to operate separately when two plus two is at least four. Ideally, it will be more than four. The danger if we integrate is of the sum being less than four."

But if integration is not on the cards – at least officially – where does BV go from here?

Some observers reckon it is one of the most vulnerable banks in Germany to being bought by a big foreign bank or domestic insurance company in the run-up to the liberalisation of trade barriers in 1992.

Moreover, it has lagged in the current race into "Allfinanz" – wide-ranging financial services. There is no sign *yet of a marketing link* with a big insurance company, along *the lines forged by most rivals*, despite continuing talks with several parties.

Meanwhile, new European Community rules opening national frontiers to greater foreign competition could threaten the bank's position in the lucrative domestic mortgage lending business – one of its key activities.

Mr Hackl has no anxieties about BV being swallowed. His confidence is reflected in the fact that it has not eveo introduced voting restrictions on its shares, like some counterparts such as Dresdner Bank. The German system of supervisory boards, combined with worker co-determination in decision making, are powerful hindrances to an outside bidder, *he thinks*.

Maximilian Hackl: no worries about BV being taken over

Moreover, just under 14 per cent of BV's shares are held by the Bayerische Landesstiftung, a pnblic-sector foundation.

But with only two new domestic branches opening this year, BV's home strategy is now more directed towards the wholesale markets, explaining its increasing presence in Frankfurt.

Although equity business will continue to be based in Munich, the Frankfurt operation covers both domestic and Euromarket D-Mark bonds, as well as foreign currency Eurobonds. And most of BV's investment banking activities are now centred in the city, with a staff of around 80 professionals.

When it is finished in 1992, the new Frankfurt office will house not only BV's local branch and regional commercial banking business, but also its investment bankers, bond business and its operations for the Deutsche Terminbörse (DTB), Germany's new financial futures and options exchange, which will open next year.

Mr Hackl denies that the equity business will eventually move to Frankfurt too. With the Munich Stock Exchange located within walking distance of the bank's headquarters, such a step would be politically sensitive.

Moreover, the split between bonds and shares makes business sense, he claims. The companies floated by BV tend to be regional Bavarian operations. Such clients need closer and more frequent counselling by the bank than is the case in the bond market, he says.

Whether BV should follow the example of some other German banks – most recently Hypobank – by opening a London capital markets operation is still undecided, says Mr Hackl: "The bank is still looking into it."

Meanwhile, BV is sticking to its European expansion strategy, if on a more modest scale than bigger rivals such as Deutsche Bank. Size and location mean the bank has a strong interest in neighbouring markets such as Italy and Austria, compared with the more West European orientation of some of its rivals.

The bank has already considered, and rejected, an Italian acquisition. "Prices are exorbitant now," says Mr Hackl. So closer co-operation with a small group of Italian banks is on the cards.

Meanwhile, BV's long-standing expertise in mortgage lending has meant it has also thought hard about opportunities in France and the UK. "We looked at the option of buying a building society but decided not to," says Mr Hackl.

In the end, the Bavarians reckoned they could participate in the UK by buying mortgages wholesale in the market rather than having to be directly involved. Given the increasing competition in UK retail banking and the downturn in the housing market, that strategy may well be right.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday October 12 1989 — Figures in parentheses show number of stocks per section

[illegible]

FT-SE 100 SHARE INDEX

FIXED INTEREST

	PRICE INDICES	Thu Oct 12	Day's change %	Wed Oct 11	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	115.94	+0.06	115.87	-	9.71
2	5-15 years	129.76	+0.20	129.59	0.89	10.43
3	Over 15 years	138.69	+0.25	138.35	-	12.00
4	Irredeemables	161.11	-0.15	161.36	-	8.85
5	All stocks	127.72	+0.16	127.57	0.05	10.49
	Index-Linked					
6	Up to 5 years	136.63	-0.26	136.98	-	2.79
7	Over 5 years	135.60	-0.04	135.70	-	2.29
8	All stocks	135.60	-0.06	135.68	-	2.86
9	Debentures & Loans	108.81	-0.24	109.08	-	9.26
10	Preference	87.79	+0.05	87.65	-	4.71

	AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 12	Wed Oct 11	Year ago (approx.)
	British Government				
1	Low	5 years	10.47	10.48	9.64
2	Coupons	15 years	9.72	9.73	9.28
3		25 years	9.57	9.57	8.98
4	Medium	5 years	11.20	11.25	10.06
5	Coupons	15 years	10.09	10.12	9.63
6		25 years	9.49	9.71	9.15
7	High	5 years	11.33	11.36	10.14
8	Coupons	15 years	10.31	10.34	9.66
9		25 years	9.85	9.87	9.24
10	Irredeemables		9.63	9.61	8.93
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.99	3.90	3.18
12	Inflation rate 5%	Over 5 yrs.	3.71	3.71	3.82
13	Inflation rate 10%	5yrs.	3.21	3.11	2.12
14	Inflation rate 10%	Over 5 yrs.	3.55	3.54	3.66
15	Debs &	5 years	13.40	13.37	11.10
16	Loans	15 years	12.48	12.41	11.00
17		25 years	11.82	11.78	10.75
18	Preference		10.54	10.54	10.21

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	72	18	14
Corporations, Dominion and Foreign Bonds	7	5	30
Industrials	391	489	716
Financial and Properties	168	153	351
Oils	30	24	40
Plantations	2	1	8
Mines	29	56	88
Others	47	96	118
Totals	746	842	1,365

LONDON RECENT ISSUES

EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FIXED INTEREST STOCKS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Oct 9
- Last Dealings Oct 20
- Last Declarations Jan 11
- For settlement Jan 22

For rate indications see end of London Share Service

Calls in Cadbury, Conroy, Astec, Ferranti, Hyman, Arthur Lee, M.L. Labs, New Eng Props, McCarthy Props, Polly Peck, Ultramar, Prestwick, Tiphook, Rich Oil & Gas, W. Greenbank.

LONDON TRADED OPTIONS

LONDON TRADED options had another busy session yesterday, as the stock market staged a modest recovery on renewed takeover speculation, prompting option activity in the FT-SE 100 Index and other takeover favourites, particularly Scottish & Newcastle and Jaguar. Sterling's stability after Mr Nigel Lawson, Chancellor of the Exchequer, made a strongly worded anti-inflation speech to the Conservative Party conference helped bolster the stock market.

It was given a further boost by speculation that a takeover of one of the FT-SE stocks would be launched this morning. The activity in the stock market pushed the FT-SE Index up 19 points at 2,237 having traded 437m shares. The FT-SE option traded 10,238 contracts, of which 4,033 were calls and 6,205 were puts. The most actively traded series was the November 2,400 call, which traded 1,507 contracts.

Of the individual company options, the most actively traded were British Gas and Ferranti. British Gas turned over 3,450 contracts, of which 3,150 were calls and 300 puts. The most actively traded series was the January 220 call, which traded 1,050. Ferranti turned over 2,685 contracts, of which 1,650 were calls and 1,035 were puts. The most actively traded series was the January 60 call, which traded over 855 contracts.

However, the higher premiums contained in some of the bid speculation stocks meant that although turnover there was lower, the amount of money that changed hands had been high. In particular, Scottish & Newcastle, benefited from talk that Elders IXL might sell its 23 per cent stake to a bidder. Scottish & Newcastle traded 1,886 contracts, of which 1,883 were calls and 15 were puts. The most actively traded series was the November 420 call, which traded 870 contracts.

Total turnover yesterday amounted to 45,909 contracts, compared with 63,009 on Wednesday. Thursday's total was divided between 27,855 calls and 18,054 were puts.

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UK COMPANY NEWS

Hawker Siddeley to buy electric motors business

By Clare Pearson

GEC ALSTHOM has agreed in principle to sell its small electric motors business to Hawker Siddeley, the UK electrical and mechanical engineering group.

For Hawker Siddeley, where Mr Alan Watkins, the recently installed chief executive, has announced plans for a shake-up, the purchase underlines the continuing position of electric motors within the company's core businesses.

Hawker Siddeley hopes to compete more effectively in the fiercely competitive market for electric motors by combining its Brook Crompton subsidiary with GEC Alsthom Electromotors.

Electromotors forms only a small part of GEC Alsthom, the biggest force in power generation equipment in the European Community, which is also involved in rail and automation equipment.

But the deal marks the first disposal made by the company in Britain since it was created last December through combining the power systems business of General Electric Company with the Alsthom subsidiary of France's Compagnie Générale d'Electricité.

Together, with sales of around £150m, they expect the new business to rank first among UK producers of small industrial and fractional horsepower motors. Its position in continental Europe is expected to be third.

Mr Alan Watkins said: "Hawker Siddeley will be able to provide greater total support to the UK industry and achieve greater direct exports than is achieved by the two companies separately."

The consideration for Electromotors is not disclosed. The company employs about 1,400 people, has assets of around £28m and sales in excess of £50m. Hawker Siddeley said the company's profitability currently fell short of what it saw as acceptable levels.

In May, Hawker Siddeley announced the purchase of a 49 per cent stake in Elco Elettromeccanica, an Italian volume manufacturer of small electric motors.

Regal and Rivoli to merge

By Vanessa Houlder

REGAL HOTEL Group yesterday announced that it was injecting its hotel interests into Rivoli Cinemas, a "shell" company, which has, as its only trading activity, a bingo hall in Shropshire.

The merged group, which will be called Regal Hotel Group, will be introduced to the USM in three weeks time.

For Regal the purpose of the merger is to obtain a quote to help fund its future acquisitions and development programme. The company, which now has five three-star hotels – in Carlisle, Glasgow, Brighton and two in Yorkshire – plans rapid expansion of its hotel interests over the next year.

The merger will also reduce Regal's gearing to around 20 per cent. In addition to the bingo hall, Rivoli had 2.18m shares in Granada group which were yesterday sold for £6.9m.

Regal incurred a pre-tax loss of £1.29m in the period from September 1 1988 to April 9 1989, which it attributed to high interest charges and disruption during refurbishment work.

Rivoli will acquire Regal in exchange for 5.69m shares of 2p each, representing 53 per cent of the enlarged share capital of Rivoli. In addition, there will be a cash offer of £39.53 per share for the shares of 50p each. This represents a 5 per cent premium over Rivoli's net asset value.

The merger values Regal at £9m – a 44 per cent discount to its pro forma net asset value. Mr Malcolm Gold, Regal's managing director, founded the group in 1986 after the sale of his previous company, Dean Park Hotels, to Queens Moat Houses.

Mr Clive Marks, chairman of Rivoli, and its trustees who together represent 71 per cent of the shares, have given irrevocable undertakings to vote in favour of the merger. Mr Marks will join the board of the enlarged group.

Beaverco undertakes reorganisation

By Jane Fuller

BEAVERCO, the USM-quoted foam, furniture and noise insulation group which recently warned that profits for the six months to September 30 would be similar to those for the same period last year, has reorganised its divisions.

Mr John Lees, chairman and acting managing director, said that *the foam division*, which was under pressure from the slowdown in furniture sales, was being split into two. The highly technical, chemical manufacture of polyurethane foam was being separated from the mechanical process of converting the foam block into products for the market.

Also being split was the biggest division, consumer products, along geographical lines to cover the northern and southern halves of the UK.

Mr Lees said that the changes were prompted by the group's growth from turnover of £15m in 1985 to more than £50m now.

This latter included the acquisitions of Aronstead, the garden furniture company, and the Noise Control Centre, maker of sound deadening equipment.

The two parts of the group headed by these companies, consumer products and industrial products respectively, were continuing to do well, Mr Lees said.

Meggitt has 10.2% of USH at first close

By Andrew Bolger

MEGGITT, the specialist engineering group, yesterday claimed an early success in its campaign for United Scientific Holdings, the defence contractor for which it made a hostile bid four weeks ago.

At yesterday's first closing date for the offer, acceptances had been received in respect of 7.2 per cent of USH's ordinary shares and 5.2 per cent of the preference shares.

Meggitt already owns 3 per cent of USH's ordinary shares.

Extending the offer for seven days until next Thursday, Mr Ken Coates, Meggitt's group managing director, said: "The unusually high level of acceptances and the movement in prices at this, the first closing date, clearly indicates the level of disaffection among USH shareholders."

Meggitt's shares closed yesterday at 96p, down 3p. At that level, its partial cash alternative offer values USH shares at 148p. USH itself closed at 139p, down 7p.

On September 11, the day the bid was announced, Meggitt shares closed at 118p, USH shares at 176p.

Mr Nick Prest, USH's deputy managing director, said he was not surprised by the level of acceptances and felt it was still very early days. He said the sharp fall in the Meggitt price since the bid suggested that the market was not enthusiastic about its plans.

USH also suggested that, should Meggitt succeed in its bid, it might run into a regulatory hurdle over USH's 65 per cent stake in Avimo Singapore, its Far Eastern subsidiary.

Mr Prest said USH had written to the Singapore Securities Industry Council inquiring whether its rules on minority holdings would make it necessary for USH to make an offer for the remaining 35 per cent of Avimo Singapore, at a cost of £25m.

Mr Coates responded that he did not think such a requirement was at all likely, but in the event Meggitt would be prepared to buy out the minority stake for £25m, drawing on its £100m credit facility it arranged before the bid began.

Advertising rise and higher margins help lift LWT by 76%

By Nigel Clark

INCREASED advertising revenue in its television company and improved margins were the most important factors in a 76 per cent rise in pre-tax profits at LWT (Holdings), the independent television licence holder for the weekend in London.

However Mr Christopher Bland, chairman, said that although advertising had been strong until the end of August, the outlook for the year to the *end of December, LWT's new* year-end, was flat. Prospects for 1990 were uncertain with advertising revenue expected to improve when interest rates begin to fall.

For the 52 weeks to the end *of July* pre-tax profit was £27.84m (£15.83m for 53 weeks) on turnover 8 per cent higher at £240.88m (£223.17m). The pre-tax figure was struck after exceptional redundancy and retirement costs of £3m (£7.32m), the full benefits of which would be seen next year.

Mr Bland said that before exceptionals the result was a record at £30.84m. He added that the results reflected the fact that LWT was now a pure television company.

There were extraordinary credits this time of £19.4m (£2.18m debits) arising from the sale of the interests in ITP, publisher of the TV Times and Century Hutchinson. Mr Bland said both stakes were sold for satisfactory prices and completed the sale of the non-television activities.

Exchequer levy was £11.14m (£9.95m) and the tax charge *was £11.13m (£6.62m)*. Earnings per share came out at 18.9p (10.3p). No final dividend is being paid but there will be a second interim of 60p as part of the capital reorganisation. There was an interim payment of 2.45p and last year the total dividend was 5.7p.

Christopher Bland: uncertain prospects for 1990

CI press bid battle hots up

By Jane Fuller

THE TAKEOVER battle between two private Channel Island companies heated up yesterday with a row over the value of the hostile bid by Guiton Group, publisher of the Jersey Evening Post, for Guernsey Press.

Guiton's offer document published yesterday said its 102-for-100 all-share offer valued Guernsey at £14.6m. With its share price at 250p, the offer valued Guernsey shares at 255p, a premium – Guiton says – of 27.5 per cent.

But Mr Geoffrey Rowland, Guernsey's deputy chairman, was sceptical about the value of the offer.

"As recently as April, Guiton's shares were trading at a price below ours," he said.

The offer document itself shows a rise in Guiton's share price from 180p to 250p early *this summer*.

Mr Frank Walker, Guiton managing director, said that this was in response to the May publication of Guiton's good full-year results, including profits up to £1.66m. *Guernsey's had slipped to £738,000*. Guiton's annual turnover was about £15m and Guernsey's about £10m.

Both companies run markets in their own shares, which are traded infrequently and in small volumes.

Guiton's case was that the two companies should join forces to run more effectively the many activities that they had in common, although he was quick to add that the Guernsey newspaper would retain its editorial independence. Apart from newspapers, other areas of similarity included printing and newsagents shops.

They would be in a better position both to fend off any incursions into their market from the UK and to expand overseas themselves.

Mr Rowland said the offer *was opportunistic after what* he admitted had been a relatively bad year for Guernsey Press, a company jealously guarded by the islanders for 93 years. But this was a unique dip in profits arising from the building cost overruns, delays and business disruption caused by a difficult move to a new printing factory.

The Guiton share price only had asset backing of 36p, whereas Guernsey's had more than £1, he said. "The majority of our shareholders want to keep Guernsey ownership and they will take a long-term view."

Pennine gets teeth into new business

By Clay Harris

Pennine Optical, the Third Market distributor of spectacle frames, is getting its teeth into a new business. It agreed yesterday to pay £1.56m in cash for A-Z Dental Holdings, a manufacturer of dental fittings.

The acquisition of Bolton-based A-Z, which trades as PWS Dental Laboratory, will be financed by the issue of 3.09m shares at 70p to raise nearly £2.17m. The shares will be offered to Pennine shareholders on a two-for-three basis.

A-Z made pre-tax profits of £161,000 in the 53 weeks to October 1 1988, and £206,000 in the 39 weeks to July 1 this year. At the latter date, it had net assets of £683,000.

Reflecting the broader base of the business, the enlarged group will be renamed The Intercare Group. It intends to expand into other healthcare fields.

Wembley paying up to £25m for Guild Ent

By Andrew Bolger

WEMBLEY, the leisure and property group, yesterday agreed to pay up to £25m for Guild Entertainment, a leading independent distributor of films to the video, cinema and television industries.

Guild, a private company, was sold by Esselte of Sweden in 1985. It is forecasting pre-tax profits of £12.7m this year. Last year it made pre-tax profits of £856,000 on turnover of £9.9m.

Wembley is paying an initial £6.6m in cash. The balance will be paid in instalments in 1990, 1991 and 1992, subject to the achievement of profit targets.

Mr Brian Wolfson, Wembley's chairman, said Guild had a strong balance sheet, an excellent reputation and a growing share of an accelerating market. It was expected to be a major contributor to Wembley's profits from 1990.

Property disposal puts Rock back into black

By Clay Harris

ROCK, the industrial and motor trade products distributor which is facing s revolt by dissident shareholders, has returned to the black for the first time since 1985 with pre-tax profits of £590,000 in the six months to June 30.

The return to profit was achieved, however, only by allocating part of the profit on *a property disposal above the* line. Excluding this £687,000 exceptional credit, Rock showed a trading loss of £97,000 on its distribution activities.

In the 1988 half, a loss of £277,000 on distribution and manufacturing was reduced to £44,000 at the pre-tax level by securities dealing profits. There were no such profits this time.

The figures were announced eight days before an extraordinary general meeting which has been requisitioned by dissident shareholders seeking the appointment of four new directors. Rock last night posted a circular to shareholders outlin*ing its position ahead of next* Friday's meeting.

Turnover rose to £3.56m (£2.57m), earnings per share of 4.89p compared with a loss of 0.42p. In addition to the exceptional profit on the sale of VF Engineering's factory, there was also an extraordinary credit of £273,000.

Nu-Swift improves 5.9% to £16.4m

By Andrew Bolger

NU-SWIFT, the fire protection group whose shares have been suspended since July, reported a 5.9 per cent increase in pre-tax profits to £16.4m in the half-year to June 30.

Turnover rose to £221.19m (£69.14m), reflecting the acquisition of HP Cleaning, the US building, cleaning and maintenance company, last November. Earnings were 19.78p (18.73p) and an interim dividend of 7p (6p) was declared.

However, about three-quarters of the profits relate to Nu-Swift's 88.5 per cent stake in Compagnie Centrale Sicli, the French fire protection and detection group, which it has agreed to sell for £214m to a highly-leveraged acquisition vehicle, Financière Sicli.

Nu-Swift wants to shift its emphasis from fire protection to other service-related activities. It is therefore retaining HP Cleaning and hopes to develop an office-cleaning business in the UK.

It is also taking an initial 34 per cent holding – which could be diluted to 19 per cent – in Sicli's purchaser, which is controlled by LBO France, a managed fund group, Bankers Trust, and Wasserstein Perella, the *US corporate finance* house.

Nu-Swift shortly expects to be sitting on £208m in cash with turnover of £234m from its remaining businesses. The UK business is expected to generate operating profits of £7m on turnover of £20m. The US office cleaning business should make about £7.5m in operating profits.

The size of the cash pile is responsible for the continued suspension of Nu-Swift's shares. Under Stock Exchange rules, a company with assets which consist substantially of cash – excluding investment companies – cannot be listed "until such time as the company has a business which is able to satisfy the Committee's normal rules for listing".

Mr Michael Stoddard, the company secretary, said that talks were continuing with the Exchange. Nu-Swift hoped to be able to make an announcement before an extraordinary meeting on October 27.

Nu-Swift is 58 per cent owned by Mr Jacques Murray, its French chairman. ADT, the services group headed by Mr Michael Ashcroft, holds a 20 per cent stake.

Asda shareholders approve stores buy

Shareholders in Asda, the food retail group, yesterday approved the company's £705m acquisition of 61 superstores from Isosceles, which recently won control of the Gateway food retail group. The deal moves Asda from fifth to third place in the league table of UK food retailers.

NEWS IN BRIEF

BAILLIE GIFFORD Technology: Net asset value at August 31 was 108.1p (94.7p) basic and 106.8p (95.6p) diluted. Deficit before tax £33,558 (£7,640 revised) for the six months to end-June. Tax £3,704 (£3,893) leaving loss per share of 0.34p (0.03p earnings).

TACE has acquired Nutech Corp and Research Triangle Laboratories for a consider*ation $US1.6m (around £1m)*. In addition to the consideration receivable by the shareholders of both companies, Dr Ballard and RA Stroupe, who is president of Nutech, will receive $675,000 payable in 48 monthly *instalments* in consideration for their entering into four non-competition agreements.

WELSH INDUSTRIAL Investment Trust: Revenue before tax amounted to £23,507 (£20,952) for the year ended April 5 1989. After tax £6,069 (£4,550) earnings per 5p share were given as 1.01p (0.92p). Dividend income was £70,608 compared with £55,015.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AMI Healthcare ......fin	4	-	3.3	6	3.3
BDA Holdings ......int	nil	-	1.5	-	3.5
Crean (James) ......int	7.15♣	Feb 2	6.5	-	15.818
Darby Group § ......int	1.2	-	-	-	-
Hanover Druce ......int	1.5	Dec 22	1.5	-	5
Jenners ......int	16‡‡	-	14	-	35
Lowndes Q'way ......int	nil	-	1.6♣	-	1.6
LWT (Holdings) 2in	60☆	-	3.66	62.45	5.7
Norish ......int	4.47♣†	Oct 27	3.2	-	11
Nu-Swift ......int	7	-	6	-	15
Town Centre Secs ......fin	1.2	-	1	1.8	1.5
Wilshire Group ......int	0.3	Jan 3	0.25	-	0.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♣Third market. ♣For 26 weeks to January 29 1989. ♣Irish currency throughout. ‡‡To reduce disparity. ☆Part of a capital reorganisation.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Ambassador Security Group, Allen Hume, Beradin, International Investment Trust Co. Of Jersey, Padang Senang, Slingsby (H.C.), Trans World Communications.

FUTURE DATES

Interims-

Ambassador Security	Oct. 13
Burtonwood Brewery	Nov. 2
Cohen (A.)	Oct. 19
Dawson Intl.	Nov. 29
Marks & Spencer	Nov. 1
Midland & Scottish Res.	Oct. 20
Power Corp.	Oct. 26
Rocham Environmental	Nov. 14
Renold	Nov. 1
Storehouse	Nov. 6
Thomson Corp.	Nov. 8
Waverley Mining Finance	Oct. 17

Finals-

Fleming Japanese Inv.	Oct. 19
Plot Petroleum	Oct. 23
Smart (J)	Nov. 8

UK COMPANY NEWS

UK growth in private healthcare reflected in turnover increase

Lower interest helps AMI rise 33%

By Jane Fuller

THE UK'S increasing appetite for private health treatment was reflected in AMI Healthcare Group's 19 per cent growth in turnover from £109.82m to £131.03m for the 12 months to August 31.

Pre-tax profits showed a 33 per cent jump to £20.91m (£15.76m), in part because of a much reduced interest charge of £1.22m compared with last year's £3.13m. Operating profit increased from £18.89m to £22.13m, and earnings per share grew to 20.5p (18p).

A final dividend of 4p is proposed making a total for the year of 6p (3.3p).

AMI was the first private medical company to join the UK stock market, which it did in February 1988. Since then only Community Hospitals Group, a much smaller concern, has taken the plunge. A 65 per cent stake in AMI is held by American Medical International, the Los Angeles-based hospital company which is in the process of being taken over by IMA Acquisition.

Dr Marvin Goldberg, AMI's chief executive, said UK private hospitals were in much better shape than their US counterparts, partly because demand continued to outstrip supply, whereas in the US there was over-capacity; and partly because the National Health Service safety net meant that private hospitals in the UK were not nearly so vulnerable to treating people who failed to pay.

AMI, which runs 13 acute care hospitals and four psychiatric facilities, derived 76 per cent of its turnover from in-patients, 17 per cent from out-patients and 5 per cent from the psychiatric side, said Mr Richard Abraham, financial controller.

In-patient admissions grew 6.4 per cent to 62,000 and the throughput was improving. On an average night 63 per cent of the beds were occupied and the average length of stay had fallen from 4.6 to 4.4 days.

The trend towards more minor surgery and diagnostic

Marvin Goldberg: less vulnerable due to NHS safety net

tests being carried out without an overnight stay had pushed up the number of out-patient visits to 301,000. Another strong area was in services to companies, including screening and occupational health.

Gearing was down to 9.1 against 25 per cent at the time of flotation, Mr Abraham said. Borrowings were reduced by £6m during the year, even though £14m had been spent on expansion, refurbishment and equipment.

Mr Goldberg said expansion was continuing. Psychiatric capacity, for example, was being doubled through the opening of a hospital and the addition of a 105-bed unit to an existing one. More generally, there were still large parts of the UK that were under-served by private facilities.

On the costs side, the biggest pressure was labour which accounted for nearly 40 per cent of the total. There was strong demand for limited nursing resources and the company was already acting to avoid the looming shortage of young recruits by attracting back trained people from the home or other jobs. Part-time and flexible working played an important role in this, Mr Goldberg said.

See Lex

Further losses at United Guarantee

By Peter Franklin

UNITED GUARANTEE, the fuel distribution, heating engineering and energy group which last year lost £3m, slipped further into the red with a pre-tax loss of £931,000 on turnover down 8 per cent to £7.14m in the six months to end-June.

This compared with a loss of £162,000 on turnover of £7.79m last time, and with losses of £3.02m from turnover of £16.77m at the 1988 year-end. UG's directors said that the results reflected the unsatisfactory position of Instock, its engineers' supplies distributor, which lost about £800,000 in the period.

Earlier this week Mr Kojo Nyantekyi, the Ghanaian head of Crescent Africa, disclosed that he planned to take a large stake in the group.

The stake will be taken through the private family-controlled company, which trades between Africa, Europe and the US, and the move will provide UG with extra working capital of £1.53m before expenses.

Crescent will subscribe for 20m new ordinary shares at 5p and existing shareholders will be given the opportunity to subscribe for a further 10.5m on a two-for-nine basis.

Crescent is underwriting the offer and if it had to take up its maximum entitlement, would have some 39 per cent of the enlarged capital.

The deal is conditional on the disposal of UG's small tools division to UK Tools, which was agreed in September, and on the MMC waiving any requirement for Crescent to make a general offer. If the deal goes through, and subject to shareholder approval, Mr Nyantekyi will take over as chairman of UG.

The disposal of the small tools division would obviously have an effect on the full year results, UG's directors said, but it was too early to predict the outcome for the year.

After a nil tax charge losses per 5p share came out at 1.97p (0.41p losses). An extraordinary profit of £242,000 (nil) arose from the disposal of UBH (*Mechanical Services*).

Suffolk board to consider bid from Radio Broadland

By Raymond Snoddy

THE BOARD of the Suffolk group, the commercial radio company controlling Radio Orwell in Ipswich and Saxon Radio in Bury St Edmunds meets today to consider a hostile takeover bid from its northern neighbour Radio Broadland in Norwich.

The bid, launched for Broadland by 3i, the venture capital group, values Suffolk at £4.3m. Broadland is offering 11 of its shares for every 13 Suffolk shares and there is a partial cash alternative provided by Crown Communications which prices the Suffolk shares at £12.

If the deal goes through it will value the combined group at £11m.

The initial reaction of Mr Martin Corke, chairman of Suffolk and a former managing director of the Greene King brewery, described the Broadland offer as unsought, unwelcome and undervalued.

Yesterday he said he was reserving judgment until after the meeting, where the first task would be to appoint financial advisers.

A previous Broadland approach two years ago – conched in the form of a merger – fell apart amid some local rivalry between Norwich and Ipswich.

The bid is the latest in a series of bids and merger attempts in the commercial radio sector in advance of Government deregulation plans for several hundred local and community radio stations and up to three national commercial networks.

The Suffolk board will face some ticklish problems. Four significant Broadland shareholders – Crown, Anglia Television, Eastern Counties Newspapers and EMAP, the publishing group – are also shareholders of Suffolk. However, only Eastern Counties and Anglia have representatives on both boards.

Broadland says it has irrevocable commitments covering 27 per cent of Suffolk from Anglia and Crown. The plan is that Anglia and Crown, which owns LBC in London and has stakes in a large number of other stations, will have 42 per cent of the enlarged company. A rights issue to raise up to £1.5m is also planned.

The Independent Broadcasting Authority has indicated that if the shareholders agree to the takeover it is unlikely to block the deal.

Broadland had pre-tax profits of £324,000 on a turnover of £1.5m in the year to September.

Mr Russell Stuart, managing director of Broadland, said the move was partly defensive to ward off other larger predators but would also create a much more significant group in marketing terms and enable the creation of a new split frequency service covering all three franchises.

Canning rights issue hit by weak market

By Clay Harris

THE RECENT weakness in the equity market took its toll on W Canning's £16.7m rights issue. The Birmingham-based speciality chemicals and industrial distribution company said yesterday that 60 per cent of the shares on offer had been left with sub-underwriters.

Canning's cash call is the second to be hit by the fall in share prices. Earlier this month, Lookers, the Manchester-based motor dealer, said that only 55.5 per cent of its £4.4m rights issue had been taken up.

Larger tests of investor sentiment will come next week when applications close for Polly Peck International's £283m rights issue and British Airways' £220m offer of convertible capital bonds.

Canning's shares have fallen from 301p on September 18, the day before the rights issue was announced, to 254p yesterday. The new shares were offered at 245p. The issue was underwritten by NM Rothschild; Cazenove arrange the sub-underwriting.

Hanover Druce falls £34,000 into the red

By David Barchard

Hanover Druce, the estate agent and property management company, yesterday reported pre-tax losses of £34,000 in the six months ending on August 31.

The losses compared with taxable profits of £1.16m for the same period last year. Mr Isidore Redstone, chairman, said that after six years of increasing profits, the results were disappointing. Turnover rose from £11.53m to £15.05m. The turnover figure included a £4.7m gain from the sale of a trading company in which Hanover Druce had an interest.

The decline was blamed by the company on the slowdown in the housing market as well as additional costs incurred in reducing its presence in London's Docklands. It also warned that the full year's results would be substantially lower than last time's £2.1m.

Losses were 2.2p per share (earnings 10.4p). However, the interim dividend was maintained at 1.5p.

Savoy takes golf stake

By Richard Donkin

THE SAVOY Hotel has bought into Wentworth Golf Club in a £2.4m share swap deal with Chelsfield, the private property company.

The Savoy acquired three of the 40 'A' shares in Wentworth Group Holdings, at £800,000 each, giving them in total 3 per cent of the equity.

In return Chelsfield received 274,914 'A' ordinary shares in the Savoy, at 873p a share. Chelsfield now owns just under 1 per cent of the Savoy A shares.

Nomura International PLC which placed the 40 shares among a range of international and UK investors, acted as go-between, buying the Savoy shares and re-selling them to Chelsfield.

The equity placings, which will raise £32m for Chelsfield, values the club at £80m. Wentworth was bought just over a year ago for £17.7m when AMEC, the construction and property group, sold it to Chelsfield and Benlox Holdings. By the end of the year Benlox had sold its 40 per cent stake to Chelsfield for £12.5m.

NEWS DIGEST

Darby bucks trend with 13% rise

DARBY GROUP, the Scunthorpe-based glass processor which joined the USM last November, has lifted pre-tax profits 13 per cent from £859,000 to £967,000 in the six months to August 31. Sales were up 20 per cent from £4.27m to £5.13m.

Mr Michael Darby, chairman, said that the results were satisfactory against the background of increasingly competitive conditions in the building industry. Although the slowdown had resulted in reduced sales of Redbourne window and door products, the shortfall had been more than made up by higher sales of toughened glass products, he said.

Earnings slipped to 4.4p (4.6p) per share, though the interim dividend is 1.2p – increased by a notional 12.5 per cent over what would have been paid had Darby been a public company last time.

Jenners jumps by 69% at half year

Jenners, the Princes Street, Edinburgh, department store operator, lifted pre-tax profits 69 per cent from £254,000 to £429,000 in the half year ended July 31 1989.

Although the general retailing outlook was not favourable, the company felt its refurbishment should help to achieve another satisfactory year.

The interim dividend is increased to 16p (14p) to reduce disparity, and should not be taken as an indication of any increase in the total dividend for the year, directors said.

Turnover grew by 7 per cent to £11.11m (£10.37m). Trading profit was £114,000 (£190,000) and other income added £315,000 (£164,000). Tax took £150,000 (£124,000).

Crean advances 41% to I£8.76m

James Crean, the Dublin-based industrial holding company, reported pre-tax profits up 41 per cent from I£6.2m to I£8.76m (£7.85m) in the first half of 1989. Sales advanced 42 per cent from I£84.79m to I£92.1m.

After tax of I£1.9m (I£1.23m) fully diluted earnings per 25p share were 20.7p (16.7p). The interim dividend was raised from 6.5p to 7.15p.

The board said the group's overall trading position was satisfactory and there had been no material change in the trading pattern since June.

Norish declines but its dividend rises

Pre-tax profits at Norish, the refrigerated food storage and frozen food distributor based in the Irish Republic, fell from I£1.22m to I£826,000 (£740,000) in the first half of 1989.

However, shareholders will receive an increased interim dividend of 4.47p (3.2p), though the gross dividend remains the same.

Turnover rose to I£8.02m (I£7m) and, after tax of I£135,000 (I£250,000), earnings declined to 8.2p (13.42p) per share.

The company said that the diversification programme, undertaken to offset the effects of greater competition in the food storage market, was proving successful. The group was trading strongly in the second half, it said.

Clogau calls for £3m via rights issue

Clogau Gold Mines, the USM-quoted holding company the subsidiaries of which are involved in mining activities, proposes to raise £3m through a rights issue.

The company intends to issue 64,251,250 new "A" ordinary shares of 1p each on a one-for-two basis.

In June, Clogau paid $10m (£5.9m) for Ferromet Resources, a processor of stainless steel scrap and high temperature alloys based in Houston, Texas.

The directors said that the Ferromet business continued to develop strongly and required further working capital of around £2m. It would also be prudent that a further £1m should be available for the remainder of the group, they said.

Shepherd Neame expands by 18%

Shepherd Neame, the independent Kent-based brewer, reported pre-tax profits up 18 per cent from £3.04m to £3.59m in the year to July 1.

This came from turnover ahead 11 per cent to £23.62m and the company, whose shares are traded under Stock Exchange Rule 535 (II), is paying a final dividend of 8.7p (7.5p) for an 11.5p (10p) total.

Mr Robert Neame, the chairman, said that the group had invested £7.3m in the year, with £5m of this spent on pubs.

Investment in the group's chain of Invicta Country Inns would continue at a rate of £2m a year, he said, and should be completed in time to benefit from the Channel Tunnel and the fast rail link.

Volumes rose by 2.5 per cent, mainly due to rising sales of canned Hurlimann lager and Master Brew bitter and the availability of low-alcohol beers.

Exceptionals help Firstland out of red

An exceptional credit of £487,000 helped Firstland Oil & Gas, the USM quoted oil independent, return to the black in the first half of 1989 with pre-tax profits of £227,000, against losses of £175,000 last time when there was no exceptionals.

Turnover was flat at £352,000 (£353,000). There was no extraordinary charge this time (£242,000) and earnings were 1.26p (losses 1.05p) per share.

Firstland and London Securities, the property and venture capital group, have modified their agreement to the extent that Firstland will now acquire at 46p apiece, 3.26m of London Securities' 6.17m shares in Explaura Holdings. It will have an option for one year to acquire the balance at 50p per share.

London Securities currently holds 2.2m ordinary (12.34 per cent) in Firstland.

Miskin higher but cautious on housing

Miskin Group, the USM-quoted contracting, property and plant hire concern, lifted taxable profits by 39 per cent from £217,000 to £302,000 in the six months to July 31 1989, on turnover ahead 31 per cent at £3.43m.

Mr Jeffrey Goodman, the chairman, warned that residential development was suffering a marked downturn in activity and a note of caution was therefore appropriate in respect of this division.

Recent acquisitions of a further tool hire business and two specialist contractors would assist the growth of the construction division and in the next full year would contribute substantially to group profit.

Tax for the period took £108,000 (£25,000) and earnings per 20p share were 2.7p (2.9p or adjusted 2.1p).

Willaire ahead 17% to £1.34m midway

Willaire Group, the environmental, electronics and industrial services concern, raised pre-tax profits by 17 per cent from a restated £1.15m to £1.34m for the first half of 1989. Sales grew a little less than 5 per cent to £11.7m, against £11.19m restated.

After tax of £441,000 (£333,000), earnings per 2p share were 0.8p (0.7p) fully diluted. There was also an extraordinary debit this time of £74,000. The interim dividend was up from 0.25p to 0.3p.

The group said it continued to see an encouraging inflow of enquiries and orders and was making solid progress within its markets. The integration of recent acquisitions had been achieved without disruption and post-acquisition development had been encouraging.

Both El Oro Mining and Exploration up

The Exploration Group, the investments dealer which owns 49.85 per cent of El Oro Mining & Exploration, achieved a 40 per cent increase in pre-tax profits from £808,000 to £1.13m in the six months to June 30.

Earnings increased to 8.34p (4.4p) per stock unit and group assets grew to £31.75m (£27.03m).

Meanwhile El Oro, which in turn owns 44.86 per cent of Exploration, lifted its pre-tax profits for the period by 49 per cent to £1.03m (£691,000). Earnings per share advanced to 15.4p (10.1p) and group assets to £23.88m (£22.17m).

UK COMPANY NEWS

BDA passes dividend as it falls to losses of £0.76m

By Andrew Taylor, Construction Correspondent

BDA HOLDINGS, the London housebuilder and developer, suffered losses of £755,000 in the six months to July 31.

It blamed the collapse of the housing market in London and south-east England for a decision not to pay shareholders an interim dividend.

The group made pre-tax profits of £719,000 in the corresponding period last year. Losses of 5.6p per share compared with earnings last year of 5.1p.

BDA said it had only been able to achieve sales by offering substantial discounts in the form of sales incentives and mortgage subsidies. House sales in many parts of southern England had been cut by half this year.

It had also written off interest amounting to £150,000 on its land bank. "We consider that in today's market it is no longer prudent to carry forward these costs," said the group.

The residential market in east London where BDA is based has been more difficult than most. Already one publicly quoted developer, Kentish Property, has been placed into receivership after the sale of flats dried up in one dockland development.

BDA said yesterday: "Lower unit sales have resulted in a reduction of cashflow, causing higher borrowing levels at a time of increased interest rates."

It said it was trying to let four commercial property developments to generate cashflow prior to selling the schemes.

"We have completed lettings on schemes at Lewisham and Chingford and have lease negotiations at Blackfriars and Ilford at an advanced stage. The properties will be available for sale although this may not be achieved in the current financial year."

The group said its asset value of 78p at the half year, according to internal unaudited accounts, was considerably higher than its share price which closed 2p up at 38p last night.

Sales in the first half slumped from £4.17m to £2.88m.

Calfed £64.5m sale may be further blow to London United

By Eric Short

CALFED, the Los Angeles-based savings and loan and financial services group, is pulling out of the specialist insurance market that surrounds Lloyd's of London, less than three years after entering it in a joint venture with London United Investments, the troubled UK insurance concern.

John Head & Partners, a little-known New York merchant bank, is buying Calfed's London market property/casualty insurer, Anglo-American Insurance Company, for £64.5m, in a deal likely to be completed early in 1990.

The deal could represent another blow to London United if it led to an end to its link with Anglo-American. Its share price has plummeted from 333p in 1987 to less than 50p now, largely because of its exposure to US claims stemming from asbestos and pollution.

It was also hit this year by a row over the revelation that some of its directors failed to disclose their large shareholdings in Russell Reinsurance Services, a US company which had extensive business dealings with LUI.

At the moment the insurance business of Anglo-American is run by HS Weavers (Underwriting Agencies), a LUI subsidiary, providing about 45 per cent of the insurance capacity managed by the group in what the London market calls the "Weavers pool". It is managed under a non-cancellable agreement expiring in April 1992, after which it can be cancelled with 12 months notice.

John Head said it was satisfied with the operating relationships between Anglo-American and Weavers. But it added that it planned to hold talks about the long-term future of this relationship with London United, particularly as the intention was to develop Anglo-American's business in London.

John Head & Partners, run by Mr John Head, a former managing director at Morgan Stanley, the investment bank, provides specialist investment banking services to the insurance and insurance-related industries. It says one of its primary activities, through Head Insurance Investors, is buying controlling interests in insurance companies and companies providing services to the insurance industry.

New York Life buying Windsor

By Nikki Tait

NEW YORK Life, which claims to be the fourth largest life assurance group in the US, is today expected to complete the purchase of Windsor Group, a financial services company which takes in Windsor Life, the small UK life company. No purchase price is being disclosed.

Windsor Life was formed about 25 years ago, and has total assets of around £108m. Total assets of the Windsor Group, which also takes in an investment management business, a unit trust arm and Windsor Home Loans, are put at some £150m. The company says that annual profits are around £1m.

Since 1978, Windsor Life has been part of British-American, a Bahamas-based company controlled by a US-based trust, McMillen Trust. Windsor said yesterday that the trust needed to dispose of its holding in British-American, and it had been decided that it would be easier to do this if certain subsidiaries were disposed of first.

New York Life already has a small interest in London through Gamma Advisers, a fund management company owned jointly with Credit Commercial de France. Its other recent foreign expansion has been in the Far East, which it has recently set up Japan Gamma Asset Management and acquired a life company in Hong Kong.

Yesterday, Mr William Yelverton, New York Life's chairman and chief executive, said that the Windsor deal would help position the US group with a view to moving into the European market within the next decade. The Far East and Europe, he suggested, were the two principal areas where the US group saw scope for overseas expansion.

New York Life claims to rank fourth in terms of premium income within the US life insurance industry, with total assets standing at over $43bn.

Rapid growth in first full year at Midland Life

By Eric Short

MIDLAND LIFE, the life assurance subsidiary of the Midland Group, reported rapid growth in new business during the first full year of its operation to August 31 1989.

Single premium business amounted to £138.7m, with the company claiming a 4.5 per cent share of the single premium life assurance business in the second quarter of 1989.

Certainly the company had considerable success with the Midland Investment Bond with sales of £50m and the Midland Growth and Income Bond, launched in April, where sales have also reached £50m.

Regular premium business was also buoyant for the year, reaching £13.6m without any benefit from the personal pensions boom during the first months of 1989. Personal pensions were successfully marketed by Midland's unit trust arm.

A considerable part of Midland Life's regular premium business arises in connection with the group's mortgage business. Almost two-thirds of new Midland mortgages are backed by Midland Life policies, either a unit-linked endowment or a protection contract.

As yet, the life company does little regular premiums savings business. However, it recently launched its flexible life plan, providing a mix of savings and protection.

Almost half Norton Opax acceptances go for cash

By Andrew Hill

SHAREHOLDERS controlling nearly half the votes in Norton Opax have opted to accept the cash alternative to Bowater Industries' recommended offer for the specialist print and packaging group.

The cash alternative closed two days ago, although the share offers will remain open.

Ordinary and convertible preference shares representing about 48 per cent of Norton's votes will be exchanged for cash.

As a result some 10.3m new Bowater convertibles, 10.7 per cent of the shares underwritten for the £382m bid, will be taken up by the underwriters.

Town Centre at over £5m

A 16 per cent rise in pre-tax profits from £4.33m to £5.02m is reported by Town Centre Securities, property investor and developer, for the year ended June 30 1989.

Tax took £1.61m (£1.52m) and earnings per 25p share came to 3.65p (3.05p). A final dividend of 1.2p was proposed making a total of 1.8p (1.5p).

Net assets increased to 152.73p, against 127.41p.

SHARE STAKES

Daks Simpson: Mr Alan Diamond, husband of Mrs SM Diamond, has sold 1,000 shares at £18.30 a share, reducing their joint holding to 77,000 shares (7 per cent). This clarifies a disclosure which was published in Share Stakes on Tuesday.

Seacon Holdings: Mr Christopher Roth, chairman, has sold 100,000 ordinary at 145p a share. He now holds 3.51m shares (54.75 per cent).

Smiths Industries: Morgan Grenfell Group is interested in 23.21m ordinary (9.72 per cent).

Spear (JW): Allied Entertainment Financial Services has acquired 30,000 ordinary, lifting its holding to 885,116 (18.18 per cent). Also PN Harris and KBS Crowhurst (Spear family trust) now hold 812,154 ordinary (16.68 per cent – previous holding was 20 per cent).

Spectrum Group: Sepon Nominees has bought 1.12m ordinary (6.47 per cent).

SPS Consultancy Group: Minty has disposed of its beneficial interest in 457,500 ordinary (9.15 per cent). The Architectural Trading Company is now beneficial holder of those 475,500 ordinary.

Tibbett & Britten Group: 3i Group (and 3i) has an interest in 3.38m ordinary (10.3 per cent).

Triplevest: Kleinwort Benson Investment Management has reduced its holding to 295,737 capital shares (4.92 per cent) with the sale of 4,300.

Union Discount: Sir Ron Brierley has, through IEP Securities, raised his holding to 4.78m shares (25.43 per cent) with the acquisition of 175,000.

Vert (Jacques): Directors holdings: On September 15 Mr A Green disposed of 125,000 ordinary at 348p each. His total holding now stands at 2.75m (29 per cent). Mr J Cynamon has disposed of 125,000 ordinary at 348p. His total also stands at 2.75m.

Vivat Holdings: Mrs SP Roter has disposed of 125,000 ordinary, and is now intersted in 2.36m (5.71 per cent).

Westminster Scaffolding: Friends Provident Unit Trust Managers – Stewardship Income Trust has acquired 25,000 ordinary, bringing the holding to 525,000 (5.05 per cent).

Whitegate Leisure: Invest International Holdings holds 6.9m shares (5.07 per cent).

World of Leather: Baillie Gifford & Co has reduced its interest to 500,000 ordinary (6.15 per cent) with the disposal of 100,000.

Youghal Carpets: PS Allen has acquired a beneficial interest in 30,785 7¼ per cent cumulative preference shares (20.52 per cent).

Yule Catto: Kuala Lumpur Kepong has acquired 1.5m ordinary. The total holding is now 24.32m (29.33 per cent).

Deal leaders of larger management buy-outs in the UK

Due to a computer error, this table appeared in an incomplete form in the survey on Management Buy-Outs published on Tuesday, October 11, 1989

	Number of deals Sole	Joint	Total	Total value £m	Average value £m	Address	Telephone number
Bank of Boston	2	0	2	54	27	39 Victoria Street London, SW1H 0ED	01-799 3333
Bankers Trust Company	12	1	13	1,792	138	1 Appold Street, Broadgate London, EC2A 2HE	01-726 4141
Barclays Development Capital	7	0	7	154	22	Pickfords Wharf, Clink Street London, SE1 9DG	01-407 2389
Candover Investment	11	9	19	1,183	62	8-9 East Harding Street London, EC4A 3AS	01-583 5090
Causeway	1	1	2	55	28	21 Cavendish Place London, W1M 9DL	01-631 3883
Charterhouse	12	5	17	2,204	130	7 Ludgate Broadway London, EC4V 9DX	01-248 4000
Chase	1	1	2	107	54	Woolgate House, Coleman Street London, EC2P 2HD	01-726 5559
CIN Venture Managers	3	2	5	895	179	Hobart House, Grosvenor Place London, SW1X 7AD	01-245 6911
Citicorp Venture Capital	9	9	15	383	26	PO Box 199, Cotton Centre Hays Lane, London, SE1 2QT	01-234 5678
County NatWest Ventures	11	1	12	380	32	12 Throgmorton Avenue London, EC2P 2ES	01-382 1000
Edinburgh Financial Trust	0	2	2	62	31	14 Melville Street Edinburgh, EH3 7NS	031-226 4814
Electra Inv Trust	1	7	9	954	118	65 Kingsway London, WC2B 6QT	01-831 6464
Flemings	2	0	2	127	64	25 Copthall Avenue London, EC2R 7DR	01-638 5858
Foreign & Colonial Ventures	2	0	2	24	12	6 Laurence Pountney Hill London, EC4R 0BL	01-782 9829
Globe Inv Trust	1	1	2	53	27	4 Temple Place London, WC2R 3HP	01-836 7766
Granville	7	0	7	82	12	77 Mansell Street London E1 8AF	01-488 1212
Guidehouse	1	1	2	19	10	Vestry House, Greyfriars Passage Newgate Street, London, EC1A 7DA	01-606 6321
Hambro Magan	1	1	2	295	148	41 Tower Hill London, EC3N 4HA	01-480 5000
3i	14	7	21	883	42	91 Waterloo Road London, SE1 9XP	01-928 7822
Kleinwort Benson	3	2	5	262	52	20 Fenchurch Street London, EC3P 3D9	01-623 8000
Lloyds Development Capital/Merchant Bank	5	0	5	214	43	40-66 Queen Victoria Street London, EC4P 4EL	01-248 4275
Mercury Asset Management	3	1	4	2,639	660	33 King William Street London, EC4R 9AS	01-280 2800
Midland Montagu Ventures	7	1	8	397	50	10 Lower Thames Street London, EC3R 6AE	01-260 9911
MIM	1	3	4	104	28	11 Devonshire Square London, EC2M 4YR	01-626 3434
Murray Johnstone	1	2	3	37	12	7 West Nile Street Glasgow, G1 2PX	041-226 3131
Phildrew	6	0	6	195	33	14 Finsbury Square London, EC2A 1PD	01-628 6366
Prudential Venture Managers	0	4	4	342	86	Audrey House, Ely Place London, EC1N 6SN	01-831 7747
Salomon Brothers	2	2	4	530	133	111 Buckingham Palace Road London, SW1W 0SB	01-721 2000
Scandinavian Bank	1	1	2	53	27	2/6 Cannon Street London, EC4M 6XX	01-236 6090
Schroder Ventures	8	1	10	378	38	20 Southampton Street London, WC2E 7QG	01-379 5010
SPHG Equity Ventures	2	0	2	68	34	4 Broadgate London, EC2M 7LE	01-374 1798
SUMIT	1	1	2	32	19	12 Newhall Street Birmingham, B3 3ER	021-200 2244
Unity Trust	2	0	2	33	17	1 Carlisle Avenue London, EC2N 2ES	01-265 1147
Leaders of one deal only	21	2	23	1,788	78		
None	16	0	16	620	39		
Eliminate joint deals		(32)	(32)	(2,504)			
	178	32	210	14,894	71		

Notes: (i) This and other tables report the results of a survey as at 15th September, 1989 undertaken by Peat Marwick McLintock of the deal leaders of the 210 UK MBOs since 1981 with total funding of over £10m (with allowance for 1981-85 inflation). UK MBOs include MBIs, but exclude leveraged acquisitions where the managers' stake is insignificant.

(ii) The following institutions have led only one deal: Baker Fentress, Baring Capital Investors, British Linen Bank, CIBC, Drexel Burnham Lambert, Gartmore, GE Capital, Grosvenor, Hambros, Hill Samuel, James Capel, Lowe Finance, Manchester Exchange Trust, Marshall, Merrill Lynch, Morgan Grenfell, Norwich Union Venture Capital, Price Waterhouse, Rothschilds, Samuel Montagu, Saudi Arabian Investors, Standard Chartered, Westpac.

THE PROPERTY MARKET

How insurers share the risks

By Michael Brett

The Halifax Building Society, lender to the now collapsed Kentish Property for its Docklands development at Burrell's Wharf, has one minor consolation. It had taken out insurance on the top slice of its loan. This should mean the Halifax is not at risk for the whole £26m it had advanced.

Burrell's Wharf is a residential development. But the principle of insuring property loans, which originated in the residential sphere, has caught on rapidly among lenders for commercial schemes. It is not a widely publicised market. But neither is the insurance simply a layer of comfort for property lenders. It has become an integral part of the financing of many commercial developments. This is not without danger if the commercial market turns sticky.

The principle is very similar to the mortgage indemnity policies that many house purchasers are required to buy for a one-off payment. At its own risk the building society is prepared to lend up to, say, 75 per cent of the value of the home. If the buyer wants a larger loan, the building society requires an insurance company guarantee for the portion over 75 per cent. If the borrower defaults and the building society cannot recover the whole of its loan from the proceeds of selling the house, the insurance company pays up for losses above that original 75 per cent level.

Translate the principle to an office development and you have a powerful financing tool.

Take a scheme costing £10m. Normally, bankers would be prepared to loan up to 70 per cent of cost as senior debt. The developer himself usually has to put in the remaining £3m as equity to provide a cushion for the lenders. Alternatively, he may be able to raise part of the £3m as mezzanine debt.

Commercial mortgage insurance or CMI may provide an alternative solution. Many bankers are happy to lend 85 per cent of project cost provided they are not at risk for the slice of the loan between their normal 70 per cent and the 85 per cent ceiling. So, in return for an up-front payment, an insurance company guarantees this portion of the loan. The developer reduces his equity contribution to £1.5m without conceding profit share. He does, of course, have to meet the cost of the premium, which might be between 5 and 10 per cent of the slice of the loan that is insured, according to one major player (others put the range rather lower). Rates vary widely between insurers according to the perceived risk element in the individual project, although this is not always easy to spot.

But CMI — which can also be used for very much more complex property financing packages — has been attractive business in a commercial property boom which has seen bank lending for property almost treble to £27bn in two years. Rising property values help to reduce the risk to the insurer. Over this same two-year period Mr Ron Buxton, financial services manager at Eagle Star Insurance, reckons that the volume of loan insurance business for commercial property has risen five times. Eagle Star is by far the largest player in the business. CMI was a natural development from its indemnity policies on residential mortgages. It has enabled Eagle Star to spread its risk more evenly across the property spectrum and there have so far been very few claims relating to commercial schemes. Residential development is currently an area of concern — it was Eagle Star which insured the Halifax loan on Burrell's Wharf — and here the group is seeking to limit its exposure.

If Eagle Star is also treading more cautiously in the commercial development field, as the property market cools, there are — in Mr Buxton's view — still plenty of good deals to be done in the financing of commercial investment properties. Premiums for guaranteeing investment loans are not vastly different from those for development finance. The risk is lower on a revenue-producing property than on a development, but it runs for longer: perhaps five years compared with two or three.

Eagle Star lays off part of its own risk by reinsuring it, and the emerging commercial property loan reinsurance market is seen as essential to the growth of CMI itself. Original business comes mainly from the banking lenders — the insurer needs confidence in the banks that set up the loans in the first place. And there is one kind of business the banks are pushing Eagle Star's way that is relatively new: "ground-up" insurance, where the whole loan is guaranteed, not merely the top slice.

The rationale lies in the loan syndication process. A total guarantee substitutes the covenant of the insurer for the security provided by the property. It is a far easier proposition for a lead banker to sell down, particularly to overseas banks with no special expertise in property. Insurance rates for the bottom 70 per cent of the loan are lower than for the top slice: typically 1.25 to 1.5 per cent, according to Eagle Star.

Eagle Star does not have the CMI field to itself. Special Risk Services (SRS), formed initially by a break-away group from Willis Faber, is a broker specialising in arranging insurance for different classes of intangible risk. As well as designing credit enhancement for pooled residential mortgages, it acts as intermediary between client and insurer in setting up CMI deals. Some of its business is channelled to Eagle Star, but there are six or so other UK composite insurers who take on CMI business as a minor part of their operations. Since the risk on much CMI business is spread through the insurance market, SRS numbers among its strengths the ability to set up the reinsurance (often with European insurers) before presenting a package to the lead insurer.

Another player with an interest in the CMI market is Woolgate Property Finance, a specialist property finance intermediary which builds some form of insurance into many of its financing structures. It has been working with insurance broker Willis Faber to bring some standardisation in to what it saw as a pretty chaotic market offering policies that were frequently "woolly" in their terms and conditions. Woolgate supplies the property expertise and Willis Faber the insurance-broking know-how.

The danger in any form of loan guarantee — and the leading brokers and underwriters are aware of it — is that it might encourage the original lenders to be less scrupulous in evaluating the project

The one thing the emergent CMI market so far lacks is experience of bad years as well as good ones in the commercial property market, to test its premium levels and its evaluation of individual risks. With premiums now estimated at around £40m a year, total loans insured are probably £10bn a year or more — significant even in the context of the UK commercial property market. It will be surprising if — at least at the fringe — a cooling property market does not bring a few shocks

Capital Growth (%)

	Retail	Office	Industrial	All Properties
Year to August 89	9.8	23.4	26.1	17.6
Quarter to August 89	1.6	4.4	7.3	3.6
Month of August 89	0.5	0.9	2.4	1.0

Source: Investment Property Databank

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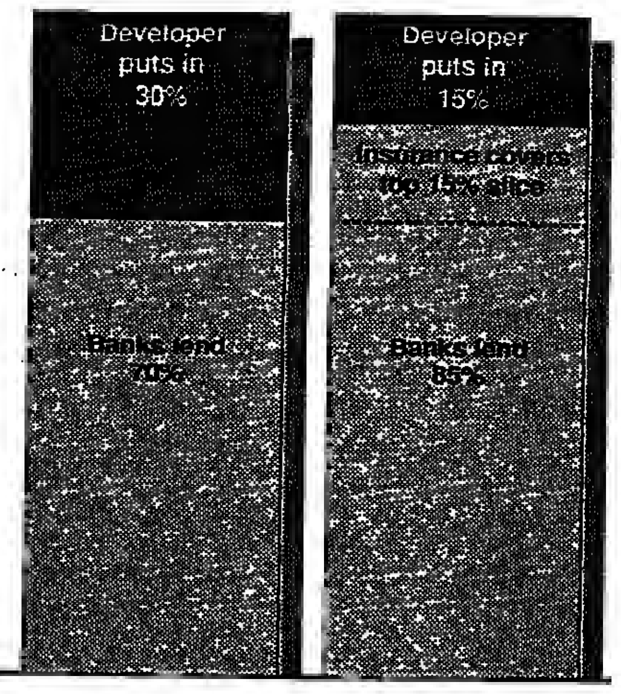

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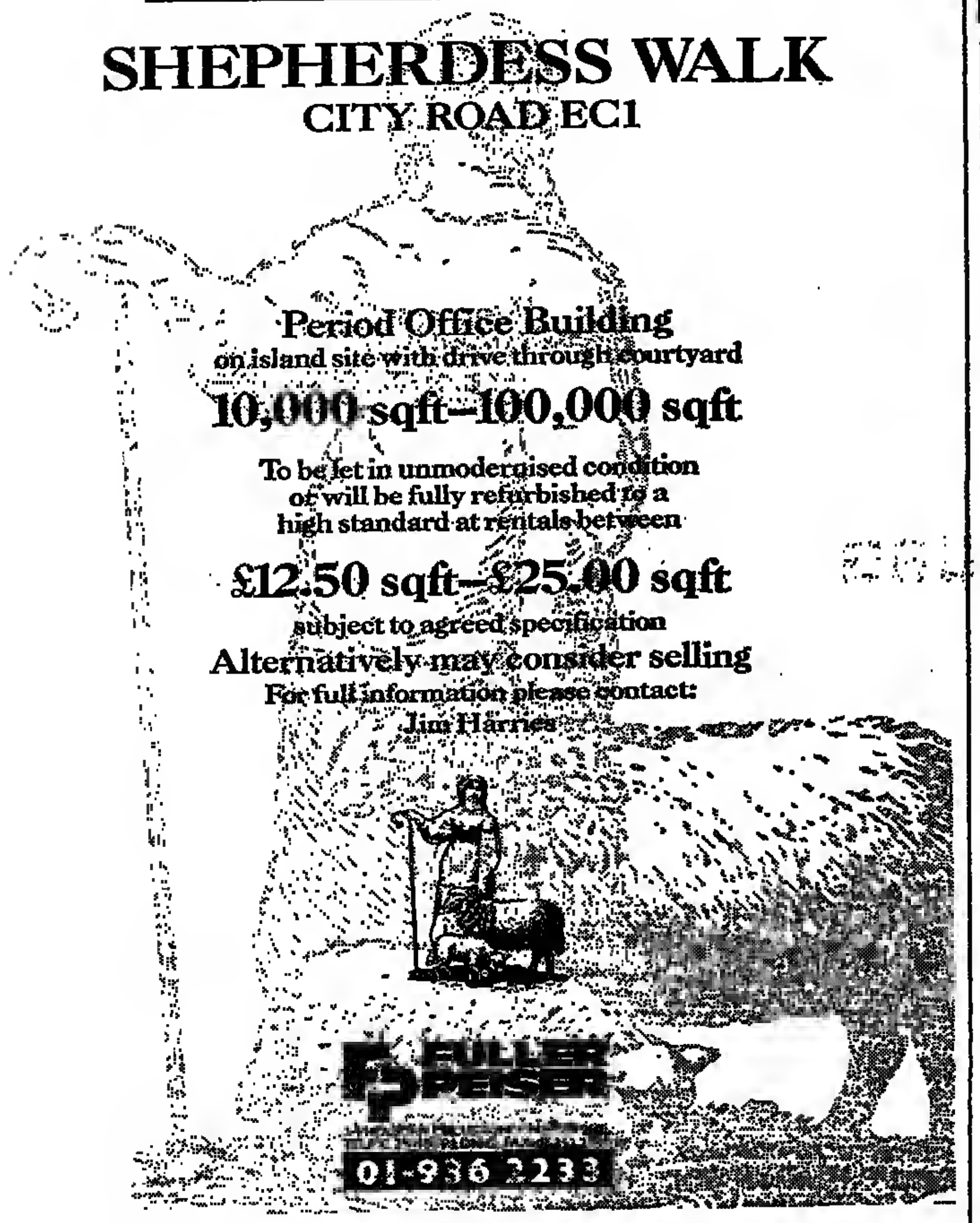

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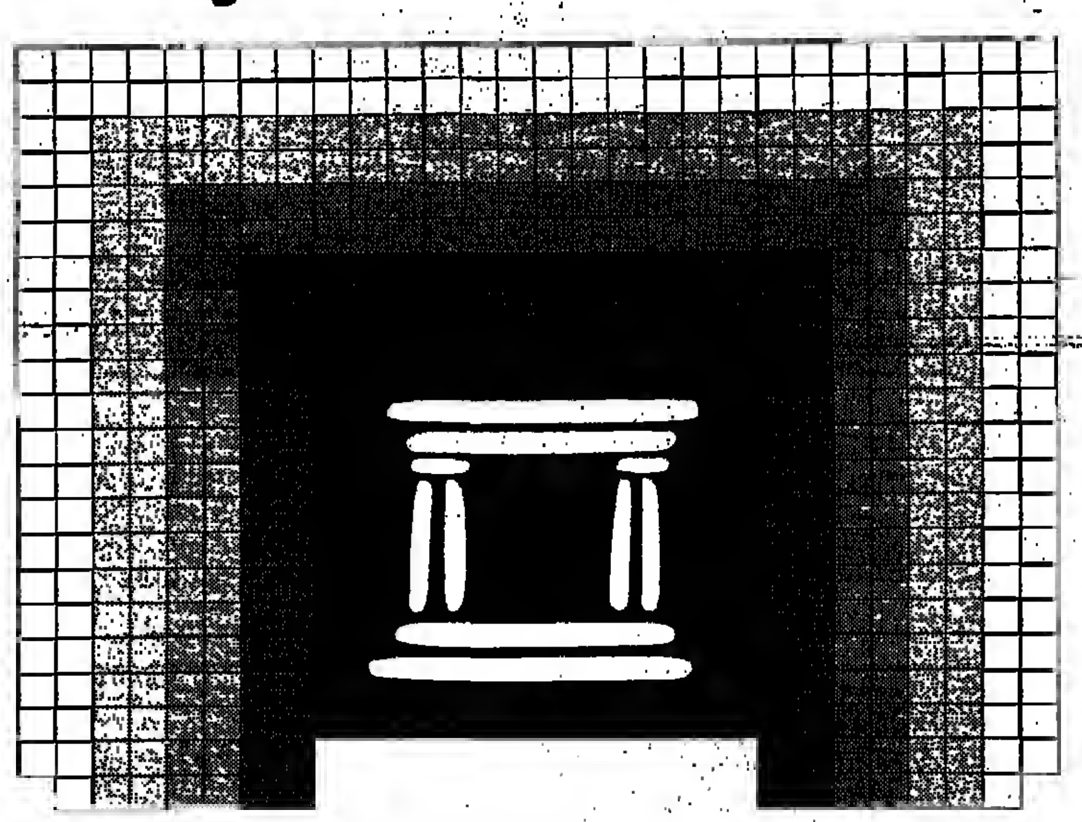

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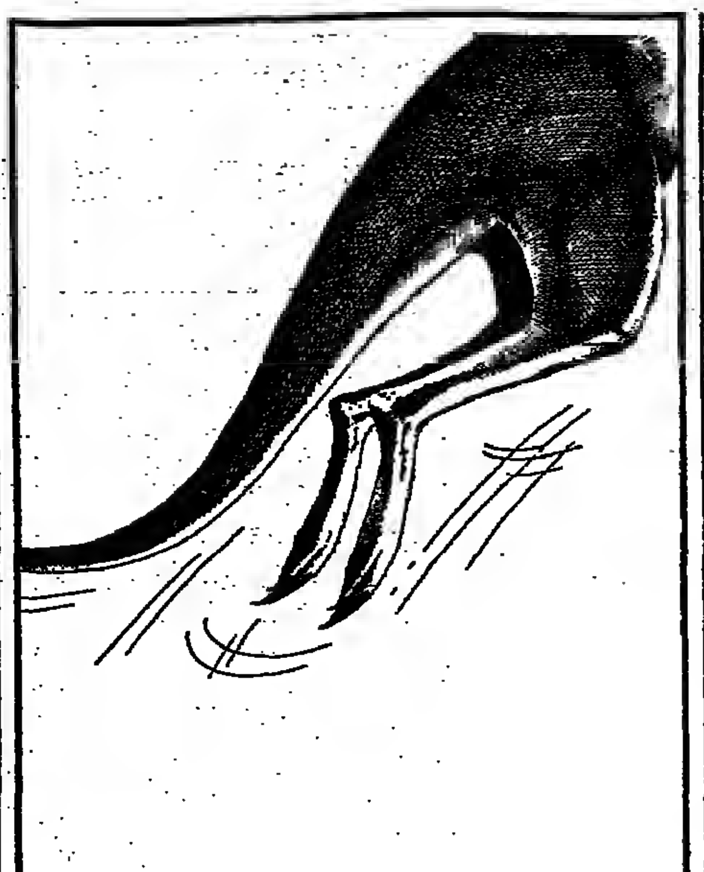

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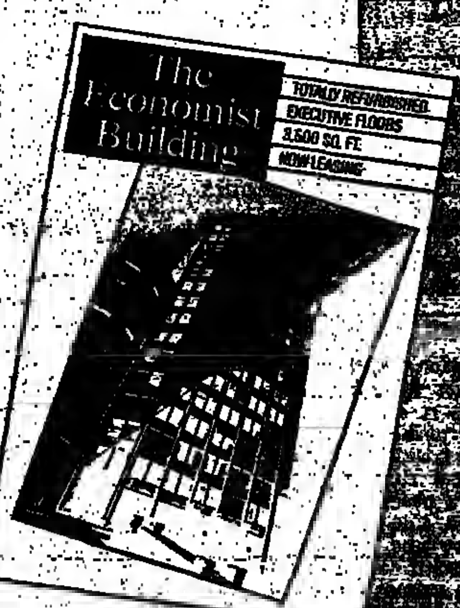

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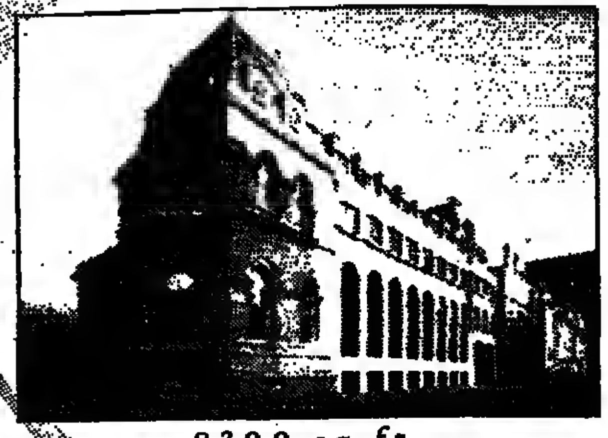

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9 February	Property Management	6 July	Property Investment & Finance
23 February	West End & Victoria Property	7 September	Leisure Property
24 March	Property in Manchester	21 September	City of London Property
6 April	Industrial Property	5 October	Scottish Property
20 April	Property in Leeds	26 October	Retail Property
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LME lead price pushed to eight-year high

By Kenneth Gooding, Mining Correspondent

NERVOUSNESS in the lead market helped push prices on the London Metal Exchange yesterday to the highest level for eight years.

Traders said there was growing concern about the tightness of supplies in Europe during the peak winter period of demand from battery producers, who use more than 60 per cent of the available metal.

"There is potential for a shortage of physical metal in the fourth quarter," according to the metals team at the Barclays de Zoete Wedd financial services group.

Mr Neil Buxton, an analyst with Shearson Lehman Hutton's mining team, said there was a growing feeling that the problems at Samin's Porte Vesme plant in Sardinia, closed in August after a boiler explosion, might take longer than expected to solve and it might not be back in action until February or March.

Porte Vesme is officially due to reopen early in January. It produces 84,000 tonnes of lead a year, or roughly 2 per cent of non-communist world supplies.

Lead previously reached an eight-year high on August 30 after news of Samin's problems reached the market. Then, as yesterday, the LME sterling price was also influenced by the strength of the US dollar against the pound.

The price of lead for immediate delivery on the LME rose by £9.25 a tonne to £482 yesterday following a similar rise on Wednesday. Three-month metal, which was up by £5.25 on Wednesday, added another £6.75 yesterday to end the day at £475.25 a tonne.

Rhizomania discovered in Norfolk sugar beet

By Bridget Bloom, Agriculture Correspondent

RHIZOMANIA, the soil-borne fungus which attacks sugar beet, has been found on a farm in north Norfolk, the British Ministry of Agriculture said yesterday.

The outbreak is the first in Britain since 1987, when the disease was discovered on a farm near Bury St Edmunds, Suffolk.

Then the outbreak was contained at the farm on which it occurred and officials hope that by the application of similar quarantine measures, particularly affecting the transport of both beet and soil, the north Norfolk outbreak will also be contained.

The rhizomania virus – the beet necrotic yellow virus – is carried by the otherwise harmless soil fungus, polymixa betae. It was first detected in southern Europe in the late 1950s and has spread north since, sometimes resulting in yields as low as three tonnes an acre compared to averages of 12-15 tonnes.

There is no method of controlling the disease once it has infected beet, although some progress has been made in controlling the soil borne vector and varieties resistant to the disease are being sought.

The new outbreak, at a farm near Aylsham, was discovered as a result of the ministry's regular programme of testing fields for the disease, officials said yesterday.

Britain's farmers, who produce some 1.4m tonnes of the EC's 14.5m tonnes of refined beet sugar, have long feared the advent of the disease, which is considered endemic in parts of continental Europe.

However, officials say the risk is not great provided tough restrictions, including a ban on imports of suspect soils on vegetables such as potatoes, are rigorously maintained.

Oil prices stronger as Opec works on quotas

By Steven Butler

OIL PRICES have risen by about $1.50 a barrel following the meeting two weeks ago of ministers from the Organisation of Petroleum Exporting Countries.

Although prices moved down immediately at the close of the meeting, when Opec made a fresh display of old fashioned discord, signs of significant moves to boost output by Opec members have yet to appear, and demand is continuing at a strong pace.

The price of North Sea Brent crude for November delivery yesterday rose by 32½ cents to close at $19.075 in European trading.

Nonetheless, many industry observers anticipate at least a mild weakening of prices later in the year, and opinions vary widely about the first quarter of 1990, when the demand for Opec production is expected to fall as consumers draw down stocks built up for the winter season.

Opec is producing roughly 22.5m barrels a day, which most analysts believe is approximately what the market requires, although probably too much to realise the Opec price target of $18 a barrel for a basket of selected crudes. Mr Joseph Stanislaw, of Cambridge Energy Research Associates, estimates the call on Opec crude to be between 22.5m and 23m b/d.

However, some analysts put the call on Opec crude somewhat lower. Merrill Lynch, the US broker, for example, believes Opec should produce no more than 22m b/d and is therefore risking a bout of price weakness in the near term.

These problems could become more severe in the first quarter when many analysts expect the call on Opec crude to fall to only 21m b/d. Not only is this significantly below current production, it is only 500,000 b/d above the current Opec production ceiling, which was raised at the September meeting to 20.5m b/d.

"It still doesn't give you a whole lot of flexibility to solve the quota problem," says Mr Stanislaw.

Proposals which are being discussed bilaterally between the Opec members involve a promise of higher prices for several smaller Opec producers, including Nigeria, Venezuela, Indonesia, and Algeria, in exchange for disproportionate quota increases to be given to Kuwait and the United Arab Emirates, while other big Gulf producers' quota shares would stay at roughly the same level.

While 1m b/d may be enough to play with to satisfy most countries' demands for quota increase, and the market may be able to live with 21.5m b/d in the first quarter, there are fears that prices could be considerably weaker should some countries, particularly the UAE, violate its production quota by a wide margin.

"The fear is that the price impact won't last long enough to make a difference," says Mr Stanislaw.

This would make it difficult politically for some of the smaller producers to accept a cut in their quota shares, if not actually cuts in production, and these fears will at least overhang the scheduled Opec ministerial conferences on November 25, even if they do not in the end prevent reaching a new quota accord.

Mr Humphrey Harrison, an analyst at Kitcat & Aitken, believes that the Opec members have a reasonable chance to sort out these problems, even in the absence of a crisis atmosphere induced by a price collapse, because the smaller Opec producers are desperate for revenues.

"I think the comments about extreme gloom and doom in the spring next year are politically naive," says Mr Harrison.

There are, as ever, dissenters from this view. Analysts at Hoare Govett believe Opec is only capable of taking decisive corrective action during a crisis, and that in the mean time continuing excess capacity over the call on Opec crude (the degree of which is widely disputed among analysts) means that for at least several years Opec will face a continuous battle to maintain discipline, producing alternate bouts of euphoria and gloom on the oil price outlook.

SAUDI ARABIA plans to spend $15bn in the next six years to raise its oil production capacity to 10m barrels a day by 1995, Reuter reports from Dubai, quoting regional bankers and industry analysts.

Current Saudi sustainable oil output capacity is about 6.5m b/d, compared to a production quota of 5m b/d. The scheme is to be financed from oil revenues.

● British Petroleum has raised its estimate of recoverable reserves at the Ula field, in the Norwegian sector of the North Sea, by 90m barrels to 420m barrels. BP operates and has a 57.5 per cent interest in the field.

Deal for Indian farmers is pre-election strategy

By K.K. Sharma in New Delhi

AS PART of a better deal for Indian farmers announced by Mr Rajiv Gandhi, India's Prime Minister, yesterday, the Government has raised the minimum support prices for paddy, lentils, oilseeds and cereals such as millet and maize.

The announcement of a series of steps to benefit farmers was made with an eye on the coming parliamentary elections which must be held before the middle of January, when the present five-year parliament ends.

The rise in minimum support prices varies, but is roughly 5 per cent for most items. These will be the prices at which government agencies will procure agricultural products after the summer crop is harvested during the next few weeks.

Mr Gandhi said agriculture would be given the "highest priority" in the Eighth Five Year Plan for the period 1990-95. To improve farmers' earnings, wage costs as well as the cost of labour input would be made part of the method of computing the cost of production when fixing prices.

A strong farmers' lobby has been active in India for the past few years and yesterday's incentives are designed to win their support.

Other benefits for farmers announced by Mr Gandhi include more centres for procurement, expansion of storage facilities and improvement in credit facilities available to farmers. A special credit of Rs1bn (£37.4m) is to be distributed through co-operatives and commercial banks.

Measures to increase agricultural productivity include better irrigation facilities, reclamation of saline land and the introduction of higher quality seeds.

To encourage agro-based industries, an extension and infrastructure package is being worked out for the development and processing of fruit and vegetables.

Fury over waste dumping

HUNDREDS of students demonstrated yesterday outside Papua New Guinea government offices against plans for one of the country's biggest copper and gold mines to dump waste into the Fly River, Reuter reports from Port Moresby.

Protestors said the Government's recent approval of the dumping by the Ok Tedi mine was a death warrant for the 20,000 tribal people who live along the river.

In a petition to Mr Rabbie Namaliu, the Prime Minister, the students threatened to block the river unless the dumping was stopped.

The Government two weeks ago granted permission for the mine to dump up to 150,000 tonnes of waste a day into the river.

Agricultural loan to Turks

By Jim Bodgener in Ankara

A CREDIT for $20m (£12.9m) from the International Agriculture Development Fund (IFAD) towards the $50m Mus-Bingol provincial development project was signed up in Ankara yesterday.

The project covers the provision of highways, developing water and agricultural resources, together with livestock and handicraft promotion.

Chinese cotton industry gets in a tangle

Lynne Curry on production problems faced by the world's biggest producer

FOR THE first time since the early 1980s, China is facing the prospect of once again being a major cotton importer.

With autumn crop harvesting beginning in September, western analysts say the country is likely to experience a serious shortage compounded by difficulties over whether farmers will be paid in cash.

"China used to be a net exporter, but this year it will be an importer," one western diplomat said. "China will not significantly contribute to the international market and this will keep world cotton prices higher than expected."

This year, analysts forecast cotton production is likely to remain about the same level as last year's 4.2m tonnes, well below the record output of 6.2m tonnes in 1984. Since then, production has stagnated at a little more than 4m tonnes.

With production at a near plateau and domestic consumption soaring, cotton exports are likely to be only a fraction of recent levels, said western agricultural experts. China is expected to export 1m bales in the 1989-90 (August to July) marketing year, down from 1.4m bales in 1988-89, according to the US Department of Agriculture.

The decline in exports is a reversal of the recent trend. In 1980, Chinese cotton imports totalled 898,000 tonnes and then fell to a fraction of that in the mid-eighties. Meanwhile, exports climbed from almost zero to 755,000 tonnes in 1987.

THE 1989-90 supply of cotton is expected to total 113m bales, down 5m bales from last season, according to the International Cotton Advisory Committee, reports Reuter from New York.

World consumption of cotton may be a record high in 1989-90, the cotton group said.

The decline in world production this season resulted from poor weather in some countries. The season's rise in prices could lead to substantial increases in production in 1990-91.

Even with a rise in output during 1990-91, however, consumption should be strong in the next two years and that could keep prices above the average level of recent seasons.

"China is such a big producer and such a swing country," one analyst said. "It has gone from being a big importer to a big exporter and back to being an importer."

Although it is the world's biggest cotton producer, China exports less than the US or Pakistan, according to 1988-89 USDA statistics. China sells cotton primarily to Hong Kong, Japan and Singapore, but textile and garment manufacturers in these areas have already been hit as China has cut back its cotton exports.

China's declining production results from a variety of factors, the most significant of which is the low state purchase price. Planted cotton acreage has been cut this year as farmers have switched to more profitable grain crops and fruit and vegetables.

"Cotton can't compete in terms of the value it gets compared to other crops," one western diplomat said. While the state did raise the purchase price, it was not enough to cover costs and rising inflation. The price of fertiliser, in particular, has exploded as shortages have developed. At the same time, the world market price has risen substantially and the Chinese state price has lagged behind, analysts said.

Cotton's strong production increase between 1982 and 1984 occurred at a time when prices were rising and the country's economic reforms were well under way. Since then, the market has tightened (it was never entirely free) and the sale of cotton is heavily controlled by the state.

Farmers are unable to sell cotton on the free market as they do with other crops. While the Government stipulates that its quota must be filled first, provinces are allowed to retain up to 70 per cent of any excess that is produced, one western analyst said.

Nonetheless, provincial policies and practices often hinder delivery of cotton to state-run factories, particularly those in big cities. Cotton producing provinces now want to keep the cotton for themselves and generate value-added products for export, analysts said. "Interior provinces don't want to supply coastal provinces which then get rich off them," one western observer noted.

Some, like Anhui, have big weaving and spinning capacities, and if cotton is sold elsewhere, cannot meet their own needs. According to the Chinese press, there have even been instances where bricks have been found in cotton shipments to prevent the cotton from being used elsewhere.

China's major cotton growing provinces are Henan, Anhui, Jiangsu, Hebei, and Shandong.

The impact of the country's tight supply on its textile mills has been severe. While the state attempts to meet 60 per cent of the mills' needs, the People's Daily, the official communist party newspaper, reported that in the first seven months of this year, the state was able to supply only 55 per cent of the cotton promised to Peking, Shanghai and Tianjin, China's three major textile producing cities. Other areas received only 40 per cent of their cotton requirements.

The cotton shortage has resulted in instances of abuse in textile mills. There have been cases where some suppliers charge higher prices for lower grades of cotton.

In an effort to streamline the industry, the Government is closing down the smaller, inefficient mills outside the big state-run producing centres.

In addition to difficulties with the mills, the Central Government is expected to have problems paying farmers in cash for their crop. Cotton is the year's last major harvest and is one of the biggest annual expenditures the Agricultural Bank of China has.

"The current situation is very serious," one foreign trader said. "Some experts are afraid there is not enough money from the banks to pay the farmers."

Last year, the Government paid IOUs to disgruntled farmers for their harvests of wheat, rice, cotton, and other crops. The fear this year is that farmers will refuse to turn over their crops if they are not paid in cash, although the Government has pressed the banks to set aside enough funds to be able to pay them.

Analysts said, however, that while there might be isolated incidents of refusal to hand over the cotton, farmers are too dependent on the state supplies of fertiliser, diesel oil, and other inputs to stop delivery altogether.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices recovered Wednesday's losses on the LME as shortcovering emerged after news that Magma Copper had declared force majeure on some cathode deliveries. Prices were also helped by market talk that between 5,000 and 7,000 tonnes is expected to be shipped out of LME warehouses to the US this week in order to alleviate supply tightness. Three-month nickel dipped to a new one-year low of $9,950 a tonne ($4.51 a lb) in morning trading before recovering on influential cash buying and currency factors. Coffee prices advanced on the back of firmness in spot November, which added £43 to £739 a tonne. Dealers said the large open position in November, currently some 20,000 lots out of a total of 53,272, highlights the possibility of a technical squeeze as there are many uncovered short positions.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.10-6.25q	+0.10
Brent Blend	$19.05-9.10q	+.325
W.T.I. (1 pm est)	$20.40-0.45q	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$210-212	
Gas Oil	$185-186	+4
Heavy Fuel Oil	$101-103	+8.5
Naphtha	$156-158	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.25	+1.75
Silver (per troy oz)♣	510c	+4
Platinum (per troy oz)	$482.65	+3.40
Palladium (per troy oz)	$138.00	+1.15
Aluminium (free market)	$1820	+45
Copper (US Producer)	136¼-138c	-4
Lead (US Producer)	40.5c	
Nickel (free market)	480c	
Tin (Kuala Lumpur market)	21.92r	
Tin (New York)	379.5c	+1.0
Zinc (US Prime Western)	80¼c	
Cattle (live weight)†	114.59p	-1.46*
Sheep (dead weight)†	183.09p	+9.44*
Pigs (live weight)†	105.29p	-0.01*
London daily sugar (raw)	$349.2y	
London daily sugar (white)	$318.2y	
Tate and Lyle export price	£340.0	-0.5
Barley (English feed)	£112.0x	
Maize (US No. 3 yellow)	£134.0	
Wheat (US Dark Northern)	£123.5	
Rubber (spot)♥	58.50p	
Rubber (Nov)♥	59.25p	
Rubber (Dec)♥	60.00p	
Rubber (KL RSS No 1 Nov)	230.0m	
Coconut oil (Philippines)§	$475.0y	
Palm Oil (Malaysian)§	$315.0	
Copra (Philippines)§	$310q	
Soyabeans (US)	£167q	
Cotton "A" index	81.95c	-0.05
Woolltops (64s Super)	505p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Sep/Oct. w-Oct. q-Nov. z-Jan/ †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Dec	744	746	746	736
Mar	719	725	728	711
May	730	735	735	719
Jul	741	746	746	732
Sep	756	760	759	753
Dec	784	785	785	776
Mar	807	805	806	796

Turnover: 5858 (7749) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 11 835.96 (836.93) 10 day average for Oct 12 851.11 (857.37).

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low	
Nov	739	696	739	700
Jan	697	652	700	652
Mar	704	665	705	665
May	715	680	715	705
Jul	730	717	730	710
Sep	745	735	745	737
Nov	762	753	745	

Turnover: 4670 (3440) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 11: Comp. daily 59.75 (59.36). 15 day average 60.60 (60.36).

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	308.60	306.80	308.80	304.80
Mar	303.00	301.40	303.20	299.60
May	297.80	296.20	295.60	294.60
Aug	297.20	285.60	287.00	284.60
Oct	286.00	284.20	285.60	
Dec	286.00	284.00	286.00	
White	**Close**	**Previous**	**High/Low**	
Dec	385.00	386.00	385.00	384.10
Mar	384.50	381.00	384.50	383.80
May	385.50	380.50	384.60	382.00
Aug	381.00	382.00	381.50	380.00
Oct	379.00	377.00	379.50	388.50
Dec	364.00		364.00	361.50

Turnover: Raw 1943 (2497) lots of 50 tonnes. White 2133 (1461).
Paris- White (FFr per tonne): Dec 2490, Mar 2505, May 2507, Aug 2572, Oct 2440, Dec 2395.

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low	
Dec	18.62	18.43	18.69	18.38
Jan	18.37	18.17	18.38	18.17
IPE Index	18.37	18.42		

Turnover: 11301 (8604)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Nov	180.00	177.00	180.00	176.25
Dec	177.50	174.75	177.75	174.25
Jan	175.75	172.75	175.75	172.00
Feb	171.00	168.50	171.25	169.25
Mar	166.75	165.00	167.00	165.50
Apr	162.50	160.50	162.75	161.50
May	160.00	158.00	160.00	159.75

Turnover 17920 (9610) lots of 100 tonnes

FRUIT AND VEGETABLES

HOME GROWN Cox's at 25-60p a lb (30-60p) and English Bramley apples at 20-40p are still good value, as are bananas at 40-60p (30-60p), reports FFVIB. Outspan and Brazilian oranges are good buys at 5-25p and Conference pears are 25-40p a lb. Best ... Thompson and Sultana grapes at 60p-£1.00. English Comice ... Cabbage is excellent value with English Hispi and Primo varieties at 15-30p (15-25p) and British Savoy at 25-30p (30-40p). British and Dutch red cabbages are 20-30p and white varieties 17-30p. Homegrown and imported celery is 25-60p a head, cucumber 30-60p each and spring onions 25-40p.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 23,450 tonne
Cash	1840-50	1790-5	1850/1825	1824-6		
3 months	1780-5	1736-60	1790/1746	1772-3	1785-90	34,861 lots
Copper, Grade A (£ per tonne)						Ring turnover 26,800 tonne
Cash	1898-900	1869-60	1886/1866	1884-5		
3 months	1886-7	1859-60	1892/1871	1878-80	1881-2	79,659 lots
Lead (£ per tonne)						Ring turnover 4,925 tonne
Cash	481-3	472.5-73	483	483-4		
3 months	475-5.5	468-9	477/467	478-7	475-6	13,142 lots
Nickel ($ per tonne)						Ring turnover 1,014 tonne
Cash	10350-400	10280-60	10400/10200	10350-400		
6 months	10050-100	9960-80	10100/9975	10050-100	10100-50	6,221 lots
Tin ($ per tonne)						Ring turnover 1,460 tonne
Cash	8260-70	8200-40	8240	8230-40		
3 months	8280-310	8250-60	8300/8265	8280-90	8300-20	5,577 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,500 tonne
Cash	1693-5	1670-5	1698/1696	1683-5		
3 months	1673-5	1662-3	1675/1665	1670-2	1670-2	14,379 lots
Zinc ($ per tonne)						Ring turnover 4,700 tonne
Cash	1620-5	1605-15		1615-8		
3 months	1605-10	1590-600	1610/1603	1600-3	1600-10	4,341 lots

LME Closing £/$ rate: SPOT: 1.5493 — 3 months: 1.5256 — 6 months: 1.5034 — 9 months: 1.4834

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low	
Nov	132.0	129.0	132.5	129.0
Apr	204.0	204.0	204.5	201.0
May	230.9	229.0	228.0	

Turnover 487 (661) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low	
Dec	148.00	140.00	143.00	141.00
Apr	144.00	144.00	144.00	143.00

Turnover 58 (254) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low	
Oct	1530	1518	1530	1528
Nov	1610	1604	1611	1605
Jan	1629	1622	1631	1625
Apr	1656	1647	1655	1650
Jul	1410		1410	
BFI	1486	1479		

Turnover 311 (348)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	108.70	108.50	108.75	108.45
Jan	113.10	112.95	113.20	112.95
Mar	116.60	116.40	116.65	116.40
May	119.60	119.35	119.75	119.40
Jun	121.00	120.90	121.00	
Barley	**Close**	**Previous**	**High/Low**	
Nov	106.65	105.85	106.65	106.10
Jan	110.50	109.75	110.50	109.90
Mar	113.60	112.90	113.60	113.00
May	115.35	114.70	115.35	115.00

Turnover: Wheat 328 (328), Barley 246 (160). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	135.0	135.0	135.0	
Nov	137.0	137.0	137.0	136.5
Feb	124.5	124.0	124.0	

Turnover 127 (131) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	363-363½	233½-234
Opening	362½-363	233½-234
Morning fix	362.55	232.598
Afternoon fix	363.15	234.366
Day's high	363¼-363¾	
Day's low	362½-363	

Coins	$ price	£ equivalent
Mapleleaf	372-377	239-242
Britannia	372-377	239-242
US Eagle	372-377	239-242
Angel	372-377	239-242
Krugerrand	362-365	232½-234½
New Sov.	85½-86½	55-55¼
Old Sov.	85½-86½	55-55¼
Noble Plat	486.45-496.20	315.75-320.78

Silver fix	p/fine oz	US cts equiv
Spot	327.05	509.20
3 months	339.40	520.50
6 months	351.65	531.45
12 months	375.30	558.60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1700	152	114	3	34
1800	71	60	20	78
1900	22	27	70	149
Copper (Grade A)	**Calls**		**Puts**	
2800	162	171	26	103
2900	97	122	60	152
3000	51	84	114	212
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
700	45	39	7	42
750	9	29	20	79
800	3		64	
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	63	61	19	43
750	41	39	47	71
800	29		85	
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1800	77	77	15	40
1850	42	50	30	
1900	20	30		

US MARKETS

IN THE METALS, gold and silver were firm as commission house activity made up most of the volume, reports Drexel Burnham Lambert. Platinum gained 5.20, basis January, from light trade and local buying. Copper also rose as force majuere news was mentioned. In the softs, sugar gained late in the session after quiet trade. Short covering lifted the coffee market. Cocoa trading was uneventful with prices closing nearly unchanged. The grains featured choppy action in front of Thursday's crop report. Cotton prices rallied ahead of the report on commission house activity. In the livestocks, pork bellies closed limit up as Wednesday's out of town storage report was bullish. Live hogs advanced on spillover buying from the bellies. Cattle prices slipped due to the light retail demand. The energy complex remained strong as a firm London market and continued technical buying kept prices higher. Heating oil posted the biggest gain as API numbers proved supportive.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	363.4	362.0	363.6	363.0
Nov	365.4	364.2	0	0
Dec	367.4	366.1	367.0	366.3
Feb	371.4	370.1	371.9	370.7
Apr	375.5	374.2	376.0	375.0
Jun	379.6	378.2	380.1	379.5
Aug	383.6	382.1	0	0
Oct	387.8	386.3	0	0
Dec	392.0	390.5	392.0	391.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	483.5	480.3	485.0	482.0
Jan	491.5	486.3	492.9	487.5
Apr	495.7	490.3	496.0	493.2
Jul	499.7	494.0	500.5	498.4
Oct	503.5	497.8	504.0	504.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	509.0	507.5	509.0	509.0
Nov	511.4	510.4	0	0
Dec	515.8	514.3	016.7	513.5
Jan	518.2	017.2	0	0
Mar	526.6	525.6	528.0	525.0
May	534.1	533.1	535.5	534.5
Jul	541.8	540.8	543.0	542.0
Sep	549.6	546.6	0	0
Dec	560.8	569.8	562.5	561.5
Jan	564.5	563.5	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 11	Oct 10	mnth ago	yr ago
1868.2	1857.1	1890.7	1898.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	128.13	128.41	128.64	133.46
Futures	129.25	129.15	129.90	137.72

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	132.85	131.20	132.50	132.50
Nov	131.75	130.10	0	0
Dec	130.35	128.80	131.50	129.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	20.42	20.25	20.48	20.32
Dec	20.28	20.07	20.33	20.12
Jan	20.03	19.82	20.06	19.86
Mar	19.63	19.44	19.64	19.45
Apr	19.50	19.31	19.50	19.35
May	19.36	19.18	19.36	19.21
Jun	19.18	19.05	19.21	19.05
Jul	19.05	18.94	19.09	19.02
Aug	18.95	18.84	18.95	18.89

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6080	5981	0100	6010
Dec	6120	6017	6140	6055
Jan	6065	5965	6065	6000
Mar	5665	5590	5660	5605
May	5250	5220	5280	5210
Jun	0150	5110	5170	5110
Jul	6120	5075	5120	5065

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	981	985	980	977
Mar	988	992	995	984
May	1005	1008	1010	1000
Jul	1025	1028	1027	1016
Dec	1068	1072	1070	1060
Mar	1091	1005	1091	1082

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	70.95	69.60	72.20	70.25
Mar	73.01	72.24	74.10	28.00
May	74.75	74.25	76.90	74.44
Jul	77.00	76.75	77.75	76.50
Sep	78.75	77.75	79.80	78.00
Dec	82.00	81.40	82.00	82.00
Mar	84.75	83.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.60	13.11	0	0
Mar	13.85	13.71	13.85	13.66
May	13.60	13.50	13.61	13.42
Jul	13.42	13.32	13.43	13.21
Oct	13.05	12.93	13.06	12.85
Mar	12.70	12.58	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	74.30	73.58	74.70	73.84
Mar	75.49	74.78	75.90	75.00
May	76.03	75.60	76.55	75.85
Jul	76.25	75.64	76.60	76.00
Oct	70.20	69.90	70.45	70.05
Dec	67.00	66.83	67.30	66.96
Mar	67.50	67.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	137.05	136.30	137.80	136.05
Jan	132.00	131.20	132.25	130.75
Mar	131.70	130.80	131.80	130.60
May	131.70	130.50	131.70	131.00
Jul	131.10	130.20	131.10	131.10
Sep	131.00	130.20	0	0
Nov	131.00	130.20	0	0
Mar	131.00	130.20	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	552/4	552/2	556/0	552/0
Jan	564/2	564/4	568/0	563/4
Mar	576/6	577/2	579/0	575/0
May	586/0	587/2	589/0	585/4
Jul	592/2	592/2	595/0	592/0
Aug	590/0	592/4	593/4	590/0
Sep	573/0	575/4	578/0	573/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.09	18.07	18.21	18.06
Dec	18.45	18.45	18.59	18.44
Jan	18.56	18.68	18.80	18.67
Mar	19.16	19.10	19.20	19.10
May	19.46	19.45	19.61	19.48
Jul	19.80	19.81	19.95	19.85
Aug	19.95	19.85	20.03	19.95
Sep	20.05	19.90	20.20	20.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	185.9	186.8	186.5	185.4
Dec	181.5	181.2	182.4	180.5
Jan	180.6	179.9	181.5	179.4
Mar	179.7	178.7	180.3	178.5
May	178.5	177.8	178.8	177.5
Jul	177.2	177.0	178.0	176.5
Aug	177.0	176.0	178.0	177.0
Sep	176.0	175.0	177.5	176.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	235/2	235/0	236/0	234/6
Mar	241/0	242/0	242/6	240/6
May	245/4	247/0	247/6	245/2
Jul	247/0	249/2	250/6	247/0
Sep	239/0	240/2	241/0	239/0
Dec	234/6	236/4	236/2	234/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	406/6	404/2	407/0	404/0
Mar	403/4	401/4	404/2	401/0
May	387/2	384/4	387/4	384/0
Jul	357/0	354/6	357/4	354/2
Sep	361/0	359/0	361/0	359/6
Dec	371/4	369/0	371/4	370/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.00	73.20	73.30	72.95
Dec	74.62	74.85	74.92	74.52
Feb	74.70	74.77	74.90	74.50
Apr	74.87	74.87	75.00	74.70
Jun	72.02	71.95	72.20	71.75
Aug	70.47	70.42	70.65	70.45

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	48.67	47.62	48.75	47.62
Dec	46.57	46.05	46.80	45.65
Feb	46.07	45.62	46.15	45.35
Apr	43.15	42.97	43.47	42.80
Jun	47.67	47.65	47.75	47.05
Jul	47.90	48.00	47.85	47.50
Aug	46.87	46.82	46.80	46.60

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.72	47.72	49.72	47.55
Mar	49.42	47.42	49.42	47.27
May	50.02	48.08	50.02	47.77
Jul	49.65	47.65	49.65	47.40
Aug	47.65	45.65	47.65	45.90

LONDON STOCK EXCHANGE

Not much enthusiasm for Lawson

THE LONDON stock market found little cause for enthusiasm in the speech yesterday by Mr Nigel Lawson, the UK Chancellor of the Exchequer, to the Conservative Party Conference, but it moved higher in late dealings on the back of somewhat speculative interest in a handful of bid stocks.

The absence of new economic initiatives in Mr Lawson's speech was hardly unexpected since it was delivered on an essentially party political platform. The market's attention was thus transferred to the prospects for the Chancellor's appearance next week at London's Mansion House for the annual Bankers Dinner, an event often the venue for important statements of Government economic policies.

Account Dealing Dates

*First Dealings:	Oct 2	Oct 16	Oct 30
Option Declarations:	Oct 12	Oct 26	Nov 9
Last Dealings:	Oct 13	Oct 27	Nov 10
Account Day:	Oct 23	Nov 6	Nov 20

*New time dealings may take place from 8.00 am two business days earlier

Equities were firm throughout the session, taking their cue from the pound's performance. The reaction to the Chancellor's reaffirmation of the Government's anti-inflation priorities was muted, with traders paying more heed to reported comments from the French Finance Minister on sterling's recent problems and the prospects for Britain's entry into the exchange rate mechanism of the European Monetary System.

Early gains were trimmed at mid-morning as dealers turned away from their trading screens to watch the Chancellor's speech, shown on television and eagerly watched throughout the City of London. The gain of seven points on the Footsie was trimmed in the hour following Mr Lawson's address in light selling.

The final advance in the market did not begin until late in the session and was not taken too seriously by professional traders. Today brings the end of an equity account featured by heavy losses all round and many traders were picking up stock last night to meet previous selling commitments. At the same time, a number of the most recent takeover favourites were taken out for a run, including Bass, Grand Metropolitan, BTR, Trafalgar House and Scottish & Newcastle, all components of the Footsie Index.

The net result was a final gain in the FT-SE Index of 19 points to 2,273.8. Seaq volume, at 437.4m compared with Wednesday's 503.2m, while still remaining below the minimum for a healthy market.

Attitudes among equity analysts remained generally bearish with several technical strategists pointing out that the Footsie Index has now broken down through its 90 day moving average on the performance charts. This is seen as a significantly adverse development, and it casts a shadow even over relatively optimistic predictions that the market will manage a brief rally before resuming its downward path.

"As pessimism on the UK economy increases, FTSE is likely to undershoot the 2,200 level," warned Mr Boh Semple at County NatWest.

FINANCIAL TIMES STOCK INDICES

	Oct 12	Oct 11	Oct 10	Oct 9	Oct 6	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.57	83.63	83.91	84.16	84.81	88.81	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.89	94.23	94.86	95.00	95.21	97.57	99.59 (15/3)	93.89 (12/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1817.7	1797.3	1798.7	1822.9	1857.8	1487.9	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	204.8	208.2	208.2	206.2	208.0	175.0	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2237.8	2218.8	2218.8	2247.0	2277.5	1830.7	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.50	4.54	4.54	4.48	4.40	4.66				
Earning Yld %(full)	10.83	10.93	10.93	10.78	10.57	11.74				
P/E Ratio(Net)(*)	11.13	11.03	11.03	11.20	11.40	10.32				
SEAQ Bargains(5pm)	23,431	30,419	28,298	28,769	27,459	24,879				
Equity Turnover(£m)†	-	1212.52	876.27	911.21	1046.40	1021.47				
Equity Bargains†	-	30,230	26,510	28,340	26,553	24,462				
Shares Traded (ml)†	-	444.5	398.7	379.4	397.7	473.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ✝ Nil 11.04

Ordinary Share Index, Hourly changes — Day's High 1818.0 — Day's Low 1804.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1811.4	1809.2	1808.3	1808.0	1804.6	1808.4	1808.9	1815.9

FT-SE, Hourly changes — Day's High 2238.7 — Day's Low 2224.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2232.2	2230.6	2229.5	2226.1	2224.0	2226.1	2229.5	2236.3

GILT EDGED ACTIVITY

Indices*	Oct 11	Oct 10
Gilt Edged Bargains	90.2	98.9
5-Day average	94.5	83.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

Ferranti under attack

It was another active session for Ferranti, although an attempted raid by Hoare Govett, brokers to British Aerospace, was largely unsuccessful. Ferranti ended the day just 1½ up at 58p with 8.5m shares changing hands.

Dealers said that Hoare Govett moved into the market at the opening of trading, bidding 58p a share for large lines of stock. But the Ferranti price remained out of Hoare's bidding range throughout the day.

One dealer pointed out yesterday that few institutions will now sell into market raids: "the only sellers in these situations tend to be arbitrageurs and marketmakers who have positioned themselves for these sort of affairs."

Late on Wednesday Hoare was offering 56p a share for up to 20m shares in Ferranti. British Aerospace announced earlier this week that it was considering a joint bid for Ferranti along with Thomson-CSF of France.

Yesterday British Aerospace said it had increased its holding in Ferranti to 1.7 per cent after buying 5.71m shares for 58p each on Wednesday. Before this it had held less than 1 per cent of Ferranti's shares, including those held by the BAe pension fund.

S&N flurry

The flurry of bid excitement that featured the market in late dealings carried Scottish & Newcastle to a strong close. Stories again centred around the possible sale of Elders IXL's 23.6 per cent stake in Scottish for 450p per share.

As the day wore on, the names of several possible buyers were mentioned, inclining investors to ensure they held their full quota of the stock. Turnover expanded to a busy 6.3m shares as the price rose steadily to 389p, an improvement of 20 on the day.

Among suitors mentioned were BTR in collaboration with KKR, the US leveraged buy-out specialist — a combination also featuring in bid talk elsewhere in the market. This was taken even less seriously than hints of an offer from Anhauser-Busch, the US brewer.

The dealers' favourite was BSN, the French food giant which earlier this year bought three biscuit companies from Nabisco for $1.2bn. But it was precisely those purchases that persuaded analysts that an approach from BSN was unlikely. The company had signalled its intention to expand in food rather than drink, they said, and its high gearing made raising the £450m or so needed to buy Elders' stake a tough proposition.

Action in BTR

BTR was boosted as speculation resurfaced that Kohlberg Kravis Roberts, the US leveraged buy-out specialist, was poised to bid this morning for part of the 15 per cent stake which it has targetted.

But many traders doubted that a bid by KKR would emerge and pointed to the relatively low 2.9m share turnover. Indeed, the abundance of takeover speculation in the market meant that BTR was mentioned in connection with a number of companies.

Some said a bid by BTR for GKN or Pilkington had been talked about and that this had lifted the share price.

Others suggested that BTR may arrange a share swap with Pilkington as a defence against a possible predator. BTR closed up 7 at 437p.

Oils continued their good run, although this time it was the second line stocks rather than the big three — Gas, BP and Shell — that hogged the limelight.

Enterprise Oil rose 16 to 610p, after 613p, with turnover in the shares, thin at the best of times, expanding to 1.4m shares, the highest for many weeks.

Dealers said company is beginning a Vietnamese drilling programme in which it has a 70 per cent stake. This is regarded by analysts as an high risk/reward programme which, if successful, could add 50p a share to the company's asset value and 10 per cent to the share price.

"You could be looking at a field containing some 200m barrels of oil and it has to be said that Enterprise has a good drilling record, bearing in mind its outstanding success in finding the Nelson field in the North Sea," said one analyst.

LASMO also came in for keen support, closing 4 firmer at 516p, on almost 1m shares, reflecting the company's widespread international drilling programme.

Ultramar continued to respond to the host of buy recommendations on the stock, adding 9 more at 337p on 1.4m shares.

The Burmah/Calor takeover speculation story rumbled on with Burmah shares pushed up to 650p at one point before closing a net 9 firmer at 646p. Calor eased a fraction to 430p. Talk of an imminent buy note from a leading brokers, and hints that a substantial increase in Dutch holding company SHV's 7.8m share (4.3 per cent)stake in Burmah might be published within a day or so, were said to have been behind the rise in Burmah.

The excitement over Scottish & Newcastle spilled over in other brewers. The strongest gains were posted by stocks that had fallen most sharply on interest rate fears. Grand Metropolitan climbed 12 to 576p while Bass put on 10 at 994p.

Lloyds Bank were strongly supported, closing 10 firmer at 389p while **Midland** held a shade firmer at 340p as the market digested the recent placing of 2.8m shares. Merchant banks provided features in Morgan Grenfell which jumped 18 to 408p as stories of imminent bid moves persisted, and SG Warburg which rose 15 to 409p as a large line of stock overhanging the market was absorbed.

McCarthy and Stone, the sheltered homes construction and management group, were hit by a spate of selling pressure which lowered the shares 11 to a 1989 low of 103p; "they were being hit by interest rates even before the latest rise, so the outlook now looks pretty bleak for the company," noted one specialist.

STC shares, given a rough ride in the market in recent days as dealers picked up whispers of imminent downgradings, were hit again yesterday after UBS Phillips & Drew, the stockbroker, revealed it had been a seller of the stock. The broker said STC was exposed to a review by British Telecom of its capital spending programme; STC is a big supplier to BT. STC shares dipped 6 to 298p.

Amstrad eased 2 to 55p on 2.8m shares on a story that a leading agency broker had downgraded its profits forecast for the year to June 1990 to £50m.

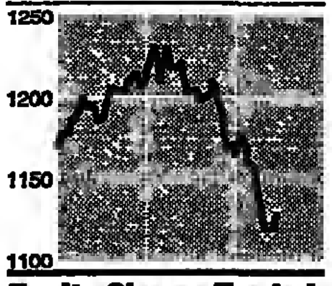
Amstrad is scheduled to announce preliminary results on Thursday; many analysts have pencilled in a figure of £85m pre-tax, compared with last year's £160m.

Among the food manufacturing stocks, Unilever again featured, due to its strong overseas earnings. It closed up 12 at 661p.

Among retailers, Argyll rose 8 to 223p on a light bear squeeze, while Sainsbury rose 3 to 255p on modest switching out of Tesco.

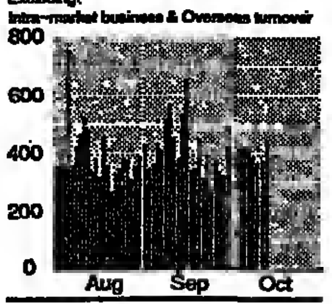
Most stores took their cue from the wider market to stage a modest rally after recent steep declines. New time interest contributed to 4p rises from Etam, to 173p, and Ratners, to 254p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



The latter continued to benefit from recent comment over its resilience in hard economic times, as did WH Smith, 6 better at 312p.

Storehouse firmed 2 to 132p as talk that Mr Asher Edelman, the US arbitrageur who holds an 8.1 per cent stake in the company, was visiting London.

Further consideration of Wednesday's poor figures from Austin Reed continued to undermine the shares and they closed a penny lower at 409p.

Confirmation of losses at furniture retailer Lowndes Queensway did nothing to help the shares, a shade lower at 15½p. The shares were trading at 72p a year ago and 37p in July.

Pilkington staged a modest recovery as investors focused on its strong overseas earnings and low exposure to house building. Scattered talk of a bid by BTR also provided support, though the speculation received short shrift from most traders. It rose 6 to 217p.

Speculation that Warburgs and Goldman Sachs had entered the market to buy Jaguar shares on the behalf of Ford Motor, which has said it wants a stake in the British luxury car maker, was one of the factors that sent Jaguar shares motoring ahead.

Market makers also suggested bargain hunters in the market had helped push up the stock price as they sought to acquire shares at prices cheaper than a week ago.

Jaguar shares rose to close at 663p, a gain on the day of 28.

Mr Steve Reitman, analyst at UBS Phillips & Drew said: "I expect Jaguar to announce on Friday, or Monday at the latest that Ford has acquired up to 5 per cent of Jaguar shares."

But Speculation that Ford is in talks with Saab-Scania, the Swedish car, truck and aerospace conglomerate, about acquiring its car division remained, as did the view that there might yet be a bid battle between Ford and General Motors, which is in friendly discussions with Jaguar about taking a 30 per cent stake in the company. An analyst said: "No one will know what is on the other side of the fence untill General Motors declares its hand."

Dagenham Motors edged npwards on talk that the company's directors had bought shares. The price has fallen almost 35 in the last month but yesterday recovered 5 to 83p.

Vague bid talk helped **GKN** shares close 10 higher at 394p. **Hawker Siddeley** climbed 7 to close at 640p on the belief that the stock had previously been pushed too far down.

Market reflection that British Aerospace plans to mount a joint bid with Thomson-CSF, the French group, for Ferranti, the troubled defence electronics group, may not be such a bad thing after all pushed shares up to close at 589p, a gain of 7 on the day.

Shares in Rolls-Royce, rose 3 to close at 176½ while Siebe, also rose and closed at 510p, up 12 on the day.

Reflecting on the strength of some shares in an otherwise thin engineering market, Mr Martin Ruscoe, analyst at Citicorp Scrimgeour Vickers said: "I believe the market is just having a shuffling round of the relatives to reflect the strength of those companies operating internationally, whicb fell indiscriminately with the rest of the market recently." Vague bid talk assisted GKN's recovery with the market. The shares closed 10 up at 394p.

LWT's revelation of the details of its proposed self-restructuring excited trade in the shares. They touched 227p before giving ground to close 22 better at 223p.

Ms Bronwen Maddox, analyst at Kleinwort Benson, said that LWT had made the deal less attractive to shareholders than had been hoped because of high interest rates and difficulties with advertising revenue. The sweetener was that LWT now included the possibility of increasing tbe dividend. Ms Maddox reiterated her buy recommendation.

News tbat tbe Saatchi brothers were stepping down as joint chief exectives of Saatchi & Saatchi sent the sbare price swinging once more. The new chief executive is Mr Robert Louis Dreyfus, a Frenchman. The shares eventually settled 3 lower on the day at 344p. One dealer described the management change as "cosmetic."

Other agencies bounced with the rest of the market, especially those whose falls since the interest rates rise last week had been steep. WCRS recovered 25 to 304p while WPP ended 13 better on the day at 679p.

Land Securities gained strongly after a positive note from analysts at Warburg. It closed up 5 at 522p. Dealers said Land's low gearing bad also continoed to attract interest.

Sun Life were again outstanding in the insurance sector with speculation that UAP, the French insurance gronp, may be about to move in and increase its stake in Sun Life from tbe current 22.4 per cent, boosting Sun shares 20 to 1143p.

Pearl, under seige from Australian Mutual Privident, wobbled early in the session, slipping to 633p, before steadying to close a fraction ahead at 635p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	[illegible]	[illegible]	[illegible]
Abbey National	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds.	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Brit. & Comm.	[illegible]	[illegible]	[illegible]
Brit. Aerospace	[illegible]	[illegible]	[illegible]
British Airways	[illegible]	[illegible]	[illegible]
British Gas	2,900	204½	+1
British Land	18	337	-1
BP	5,200	307½	+1
British Steel	7,100	126½	+2
British Telecom	3,100	268	+6
Burmah Oil	1,260	646	+9
Burton	1,200	200	-3
Cable & Wireless	1,700	521	-3
Cadbury Schweppes	1,100	377	+8
Carlton Comms.	527	843	+3
Commercial Union	564	447	+2
Cookson	664	314	+1
Courtaulds	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
Eng. China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil	[illegible]	[illegible]	[illegible]
Ferranti	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]
General Accident	[illegible]	[illegible]	[illegible]
General Elect.	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]
GUS A	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Hawker Siddeley	606	640	+7
Hillsdown Hldgs	1,300	276	+2
IMI	682	209	+1
Imp. Chem.	95	1174	+5
Inchcape	387	262	+2
Jaguar	4,300	663	+27
Kingfisher	1,100	285	+1
Ladbroke	2,000	311	+6½
Land Securities	1,300	522	+5
Laporte	129	471	+6
Legal & General	613	340	+6
Lloyds Bank	844	389	+10
LASMO	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
Lucas	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
Marks & Spencer	[illegible]	[illegible]	[illegible]
Maxwell Comm.	[illegible]	[illegible]	[illegible]
Mecca Leisure	[illegible]	[illegible]	[illegible]
Midland Bank	[illegible]	[illegible]	[illegible]
Nat. West. Bank	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Pearson	[illegible]	[illegible]	[illegible]
P & O	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
Polly Peck Intl.	[illegible]	[illegible]	[illegible]
Prudential	[illegible]	[illegible]	[illegible]
RMC	[illegible]	[illegible]	[illegible]
RTZ	1,100	529	-1
Racal	6,700	244	+8
Rank Org.	574	884	+8
Reckitt & Colman	118	1140	+9
Redland	313	491	+2
Reed International	661	394	-1
Reuters	2,600	922	+7
Rolls Royce	1,900	177½	+4
Rothmans	153	645	+2
Royal Bk of Scotland	776	167	+2
Royal Insurance	657	470	+1
STC	2,600	293	-6
Saatchi & Saatchi	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]
Scott & Newcastle	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Sedgwick	[illegible]	[illegible]	[illegible]
Shell Transport	[illegible]	[illegible]	[illegible]
Siebe	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
SmithKline Beecham	[illegible]	[illegible]	[illegible]
Smiths Industries	[illegible]	[illegible]	[illegible]
Standard Chartered	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
TSB	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle	[illegible]	[illegible]	[illegible]
Taylor Woodrow	212	272	[illegible]
Tesco	4,475	194½	+1½
THORN EMI	2,300	761	-4
Trafalgar House	1,200	349	+13
Trusthouse Forte	1,400	313	+6
Ultramar	1,400	336½	+8½
Unilever	1,900	661	+12
United Biscuits	1,800	360	+7
Utd Newspapers	596	442	+6
Wellcome	419	629	
Whitbread 'A'	1,300	352	+9
Williams Hldgs.	1,200	232	+6
Wimpey	314	239	+2

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (33).

AMERICANS (6) CHEMICALS (1) ELECTRICALS (1) HOTELS (1) INDUSTRIALS (2) Astra AB, Crest (J.), TRUSTS (5) OILS (2) PLANTATIONS (1) MINES (2).

NEW LOWS (77).

BRITISH FUNDS (17) BANKS (3) BUILDINGS (10) CHEMICALS (1) STORES (14) ELECTRICALS (10) ENGINEERING (6) FOODS (2) HOTELS (1) INDUSTRIALS (13) Assoc. Energy, Avon Rubber, Beecham, Beatwood, Bibby (J.), Brammer, Business Tech Grp., Cannon St. Inv., Campbell & Armstrong, Chesterfield, Cont. Stationery, Delaney, Dolphin Pack., Eleco, Eng. China Clays, Ensor, Fenner (J.H.), Fobel Int'l., Hanson Wrnts., Ibex, IAT Hldgs., Minty, NMW Comps., Pergamon, Quotient, Sheldon Jones, Tarmac 5½pc Cn. Pf., Third Mile Inv., Triefus, Tubular Exhb., Walker Greenbank, Whittington, Yale & Valor, LEISURE (6) MOTORS (8) NEWSPAPERS (2) PAPERS (5) PROPERTY (10) TEXTILES (3) TOBACCOS (1) TRANSPORT (2) TRUSTS (10) OILS (1) OVERSEAS TRADERS (1) MINES (3) THIRD MARKET (3).

APPOINTMENTS

Senior posts at Rothmans

■ ROTHMANS INTERNATIONAL has appointed Mr P.J. Fennell to the new post of managing director, Rothmans Europe region. He was president and chief executive officer of Rothmans, Benson & Hedges Inc, Canada. Mr I.G. Maitland has been appointed managing director, Rothmans International exports region. He is managing director of Rothmans International Tobacco (UK).

■ ECONOMISTS ADVISORY GROUP has appointed Mr Jeremy Holmes as managing director.

■ Mr David Claxton has been appointed commercial director of BOOKER FOOD SERVICES. He takes over from Mr Richard Maude-Roxby who has transferred to Booker Cash & Carry as buying director at Wellingborough. Mr Claxton will head buying, marketing and free sales operations at Ruislip. He was managing director of Courage take home trade.

■ Mr Charles D.H. Bryant has been appointed managing director, planning and support, at MIDLAND MONTAGU. He was chief operating officer of Midland Montagu Australia and Dominguez Barry Samuel Montagu.

Mr Bill Mills (above) has been appointed managing director of POLYMARK INTERNATIONAL. He was managing director of the packaging machinery division of GEI International.

■ QUEENS MOAT HOUSES has appointed as non-executive directors Mr David Howell, chairman of the House of Commons Foreign Office Committee, and Mr John Gale, recently retired from National Westminster Bank U.S.A.

■ PRICE WATERHOUSE management consultancy has appointed Mr Mark Austen as lead partner of its new European financial services consulting practice. He was partner in charge of the UK banking and financial services consulting group, which has been re-organised into two new divisions: financial markets, led by Mr Paul Reynders; and retail financial services, led by Mr Bob Pamplin.

Senior partner of Freshfields

■ Mr John Grieves will become senior partner of FRESHFIELDS in May 1990 when Mr Hugh S.K. Peppiatt retires. Mr Graham Nicholson will succeed Mr Michael MacCabe as managing partner in the new year.

■ MOSAIC has appointed Mr Leon F. Angrave from group financial controller to finance director on the board.

■ Mr Ray Molekamp, export sales director, ATHENA INTERNATIONAL, has been appointed sales and marketing director from November 1.

■ Mr Mike Dale, former director of Lucas Engineering and Systems, has joined COOPERS & LYBRAND, Birmingham, as associate director.

■ Mr William F. Morrell has been appointed director general of the Association of British Mining Equipment Companies (ABMEC).

■ Mr Gary FitzGerald has been appointed a director of THE NEW THROGMORTON TRUST (1983).

■ Mr J. Damian Kissane has joined MITSUBISHI FINANCE INTERNATIONAL as a senior manager for finance, and Mr Andrew Chapman and Mr Graham Dudlyke become managers in the risk management and technical products area.

Mr Brian Connolly (above) has joined LEX VEHICLE LEASING as executive director, finance and planning. He was managing director of Lex Systems.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	58.68	59.27	63.06	-0.54	4.35
Gilts & Fixed Int	6	107.8	107.8xd	114.3	+0.10	8.73
High Inc Equity	6	130.2	133.0xd	141.5	-0.30	4.49
Worldwide Bond	6	206.1	206.1	218.3	-0.80	4.86
Capital Growth						
American Growth	6	212.6	214.4	228.1	-2.20	0.83
Asian Pacific	6	119.4	121.6	129.4	-0.30	1.00
Assets & Earnings	6	155.7	155.7	166.6	-0.60	2.22
Capital Reserve Acc	0	86.91	86.91	86.98	+0.10	4.60
Capital Reserve Inc	0	77.15	77.15	77.21	+0.09	5.18
Comdty & Energy	6	112.6	115.7xd	123.1	-0.80	1.34
1992 Enterprise	6	59.17	60.27	64.12	-0.33	2.00
Euro Capital Acc	6	99.29	95.97	106.4	-0.90	0.70
Euro Capital Inc	6	95.74	96.44	102.6	-0.90	0.73
General	6	173.9	173.9xd	186.0	+0.10	2.69
International	6	56.64	57.47	61.14	-0.61	0.82
Japan	6	121.6	122.6	130.5	-2.20	0.00
Mastertrust	6	93.03	95.03	95.50	-0.80	1.73
UK Growth Acc	6	188.9	188.9xd	202.1	-1.80	1.39
UK Growth Dist	6	124.6	124.6xd	133.3	-1.30	2.10
00 Emerging Cos	6	58.48	59.89xd	63.73	-0.53	0.00
Income & Growth	6	297.0	302.8	322.2	-1.00	3.18
Ethical	6	46.76	46.76	50.02	-0.57	2.00
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	35.19	35.19xd	37.57	-0.16	2.68
European	5¼	77.60	77.81	83.06	-0.05	0.90
European Income	5¼	73.29	73.29xd	78.24	-0.48	2.38
Exempt	1	771.0	771.0xd	802.6	-3.8	1.91

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd—Contd.						
Income	5	155.9	161.2	171.0	+0.7	4.55
(Accum Units)	5	304.1	314.1	333.3	+1.1	4.50
International	5	125.1	125.1	132.3	-0.9	3.10
(Accum Units)	5	172.0	172.0	181.9	-0.9	3.18
Smaller Co's	5	107.2	110.1	116.8	-1.0	2.11
(Accum Units)	5	117.0	121.0	128.4	-1.1	2.11
Inv Portfolio	2½	53.13	55.05	56.75	-0.16	3.45
(Accum Units)	2½	55.15	57.14	58.91	-0.17	3.45
High Income Port	3	46.90	47.33	49.05	-0.05	6.75
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sht Dtd Gilt & FI	1½	54.34	54.34	55.14	+0.01	2.86
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & OSel Intl Gwth	5½	50.42	52.42	56.59	+2.85	1.33
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	54.09	54.90	58.90	+0.11	2.23
Global Tst	5½	47.36	47.93	51.26	-0.46	2.01
Recovery Tst	5½	48.20	48.20	53.78	+0.27	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn, SE1 2QL 01 234 6000						
Growth Fd Acc	5	109.4	110.8	116.9	-0.4	4.14
CIS Unit Managers Ltd						
PO Box 105, Manchester M60 0AL 061 837 5060						
UK Growth		—	—	—	—	—
UK Income		—	—	—	—	—
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	69.32	69.32	73.74	-0.09	1.15
CS International	5	63.56	63.56	67.61	-0.67	1.55
CS Japan	5	154.3	154.5	164.1	-2.1	0.20
CS Portfolio Inc 4	5	72.50	72.50xd	77.12	-0.08	2.07
Canada Life Unit Tst Mngrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	5	144.1	146.5	154.2	+0.20	3.00
Do Gen Accum	5	243.3	247.5	260.5	+0.40	3.00
Do Income Dist	5	94.97	97.15	102.3	+0.20	5.51
Do Inc Accum	5	217.6	222.6	234.3	+0.40	5.51

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland FSAVCS Unit Trust *						
British	6	55.14	55.74	59.30	+0.1	3.11
European Growth	6	63.68	63.76	67.83	-0.43	0.60
Gilt & Fixed Int	6	49.22	49.23	52.37	-0.05	10.02
Income	6	54.69	55.60	59.13	+0.12	4.41
Japan Growth	6	60.62	60.95	64.87	-1.28	0.00
Managed	6	56.32	57.11	60.75	-0.38	1.92
Money Market	6	51.77	51.77	54.87	+0.01	10.45
North American	6	62.91	64.10	68.19	-0.53	0.51
Midland Executive Pension Unit Trust *						
British	6	56.60	57.20	60.85	+0.1	3.07
European Growth	6	63.00	63.14	67.17	-0.43	0.59

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA 01-588 3963						
PM Equity Gth	5	117.7	117.7	125.2	+0.1	2.76
PM Income & Gth	5	97.79	97.79xd	104.0	+0.3	4.20
PM Nth Amer Gth	5	64.64	64.64	68.76	-0.22	1.10
PM European Gth	5	62.56	62.73	66.73	-1	0.66
PM Japan Gth	5	80.60	80.75	85.90	-1.5	0.29
PM Overseas Gth	5	57.72	57.72	61.40	-0.56	0.43

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administration and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

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ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	95	Treas 5pc 1986-89	99		—	—
99	98	Exch 10¼pcCv '89	99		10.38	13.52
101	99½	Treas 13pc 1990‡‡	99½		13.06	14.10
132	124	Treas 2pc IL '90(84.6)	132		2.09	9.98
99	98	Exch 11pc 1990‡‡	98		11.13	14.13
101	99	Exch. 12½pc 1990	99¼		12.59	14.33
95	91	Treas. 3pc 1990	95		3.14	11.62
97	95	Treas 8¼pc 1987-90‡‡	96½		8.54	15.58
98	95¼	Treas. 8pc Cv 1990 ‡‡	96		8.33	15.65
98	96	Treas. 10pcCv 1990	96		10.39	13.52
93	87	Exch 2½pc 1990	92		2.72	10.23
101	98	Treas 11¾pc 1991	98		11.96	13.24
93¼	89	Funding 5¾pc '87-91‡‡	92		6.24	11.72
90	86	Treas. 3pc 1991	89¼		3.36	10.58
100	95½	Treas 10pc Cv '91 ‡‡	95¾		10.45	12.78
101	96	Exch. 11pc 1991	97		11.33	12.69
94	91	Treas. 8pc 1991	91		8.76	12.67
106	100	Treas 12¾pc 1992‡‡	101		12.60	12.11
99	95	Treas 10pc 1992	95		10.47	12.20
94	90	Treas. 8pc 1992 ‡‡	91		8.77	12.18
100¼	96	Treas 10½pc Cv 1992‡‡	96		10.85	12.01
85	82¼	Treas. 3pc 1992	83½		3.60	10.79
105	100¼	Exch. 12¼pc '92	100		12.17	11.94
109¼	103	Exch 13½pc 1992	104		12.97	11.81
94	90	Treas 8¼pc 1993	90¾		9.09	11.63
100	95	Treas 10pc 1993‡‡	95		10.44	11.49
108¼	102	Treas 12½pc 1993‡‡	102		12.14	11.47
88	84	Funding 6pc 1993‡‡	84		7.12	11.05
113¼	107	Treas 13¾pc 1993‡‡	107½		12.78	11.36
94	89¼	Treas. 8½pc 1994	90		9.41	13.37
117	111	Treas 14½pc 1994‡‡	111		13.02	11.15
113	107	Exch 13½pc 1994	107		12.56	13.58
100	95	Treas. 10pc Ln. 1994‡‡	95		10.45	11.19
110¼	104	Exch. 12¼pc 1994	104		11.99	11.31

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96	91	Treas 9pc 1994‡‡	92		9.78	11.09
108	102	Treas 12pc 1995	102		11.67	11.24
79	72	Exch 3pc Gas 90-95	73	+½	4.11	9.36
101	95¼	Exch. 10¼pc 1995	96		10.64	11.12
113	107¼	Treas 12¾pc 1995‡‡	107		11.85	11.00
119	112	Treas. 14pc '96	112¼		12.47	11.20
97	91	Treas. 9pc 1992-96‡‡	91		9.82	10.84
126	119	Treas 15¼pc 1996‡‡	119		12.78	11.04
117	110	Exch 13¼pc 1996‡‡	110		12.01	11.01
101	94	Conversion 10pc 1996	95		10.45	10.90
118	110¼	Treas 13¼pc 1997‡‡	111		11.93	10.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99¼	98	N'wide Anglia 11pc 6.11.89	99¼		11.84	16.66
100	98	Do. 12pc 4.12.89	99		12.39	15.63
100	99	Do. 12pc 2.1.90	99		12.90	15.43
100½	98¼	Do. 12pc 29.1.90	99		12.62	15.33
100	98¼	Do. 12pc 26.2.90	99		12.63	15.25
100	98	Do. 12pc 19.3.90	99		13.00	15.17
100	99	Do. 13pc 23.4.90	99		13.48	15.15
100	98	Do. 13pc 14.5.90	98		13.14	15.16
100	98	Do. 13pc 4/6/90	99		13.82	15.15
100	99	Do. 14pc 2.7.90	99		14.39	15.14
100¼	98	Do. 13pc 23.7.90	98		13.77	15.11
100	96	Do. 13pc 13.8.90	98		13.61	15.07
107	98	[illegible] 3pcIL Ln 2021	105		4.29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	96		6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	90		3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40		3	17.50
45	40	Do 4pc Mixed Ass.	40		2	15.00
80	65	Hung. '24 Ass.	80		2.75	13.57
139	128	Hydro Quebec 15pc 2011	129	+½	15.00	11.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

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AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
● USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♠ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest Interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
|| No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling fights a tough draw

STERLING FOUGHT a tough draw on the foreign exchanges yesterday, but dealers fear that it was just another round in a continuing battle that is becoming increasingly difficult for the UK authorities to win.

The pound touched a peak of around DM2.9750 against the D-Mark in the morning, ahead of the speech by Mr Nigel Lawson, the Chancellor, at the Conservative Party Conference. Dealers rated it a remote chance that Mr Lawson would mention any specific policy moves in his speech, but were not prepared to go short of the pound, in case there was any commitment to join the exchange rate mechanism of the European Monetary System.

This market felt it more likely that the Chancellor would tell his audience of City financiers, at a Mansion House dinner next Thursday, if there is to be any shift towards full membership of the EMS.

Sterling's early morning peak was a strong technical resistance point, and it will probably take a policy move by the Government for the currency to move above this level in the near future. The pound had eased slightly to DM2.9725 just before the Chancellor's speech and fell to DM2.9550 immediately after.

The market was not reassured by Mr Lawson's comments. Dealers remained unconvinced by his remark that "the Conservative Party never has been, and never will be, the party of devaluation", but were more prepared to believe he would "take whatever action is needed, however unpopular."

This resulted in a weaker pound, but slightly higher wholesale money rates in London. The problem now facing the authorities is that there is another week before the Chancellor speaks at the Mansion House, and the market may prove unwilling to give Mr Lawson the benefit of the doubt about effective policies to support the pound. In the meantime pressure on sterling seems certain to increase.

Mr Nick Parsons, economist at Union Discount, said: "The Chancellor has upped the stakes for next week." He added that in order to restore confidence, Mr Lawson may consider over-funding in gilts, to drive up yields and encourage foreign investment, or possibly change tactics in Bank of England money market operations, leaving the market very short and making short term rates uncomfortably high to deter currency speculation. Alternatively, the Government could produce a programme for full membership of the EMS.

As the market continued to ponder the options, sterling finished unchanged in London at DM2.9600 and Y223.50, while gaining 65 points to $1.5510, and rising to SFr2.5950 from SFr2.5900 and to FFr10.0350 from FFr10.0200. The pound's index climbed 0.2 to 89.1.

The dollar eased slightly on speculation about a possible easing of the Federal Reserve's monetary stance. Trading was thin, with profit taking pushing the US currency down to DM1.9080 from FM1.9160 at the London close. It also fell to Y144.15 from Y144.75; to SFr1.6725 from SFr1.6775; and to FFr6.4700 from FFr6.4875.

£ IN NEW YORK

Oct.12	Latest	Previous Close
£ Spot	1.5545-1.5555	1.5458-1.5468
1 month	0.68-0.67pm	0.81-0.80pm
3 months	2.02-2.00pm	2.39-2.36pm
12 months	7.38-7.28pm	8.22-8.12pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.12	Previous
8.30 am	89.3	89.1
9.00 am	89.4	89.1
10.00 am	89.3	89.2
11.00 am	89.3	89.1
Noon	89.4	89.1
1.00 pm	89.1	89.2
2.00 pm	88.8	89.1
3.00 pm	88.8	88.9
4.00 pm	89.1	88.9

CURRENCY RATES

Oct.12	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	15	0.798	0.772481
U S Dollar	7	1.23900	1.43948
Canadian $	12.36	1.47423	1.26531
Austrian Sch.	6½	16.7059	14.4723
Belgian Franc	10¼	50.4267	43.1695
Danish Krone	7	9.37231	8.01531
Deutsche Mark	6.00	2.40137	2.05569
Neth Guilder	7.00	2.71104	2.32026
French Franc	9½	8.15187	6.96941
Italian Lira	13½	1756.74	1507.42
Japanese Yen	3¼	181.489	155.510
Norway Krone	8	8.87291	7.60148
Spanish Peseta	[illegible]	152.184	130.885
Swedish Krona	[illegible]	8.21715	7.04593
Swiss Franc	6	2.09897	1.80243
Greek Drach	20½	211.752	181.310
Irish Punt	[illegible]	0.903171	0.772481

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Oct.11.

CURRENCY MOVEMENTS

Oct.12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.1	-21.9
U.S. Dollar	71.0	+6.7
Canadian Dollar	105.4	+1.8
Austrian Schilling	107.4	+10.3
Belgian Franc	106.6	-5.8
Danish Krone	104.2	-0.9
Deutsche Mark	114.3	+21.4
Swiss Franc	106.6	+15.5
Guilder	111.2	+13.9
French Franc	100.4	-14.6
Lira	98.5	-19.5
Yen	137.1	+66.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Oct.11.

OTHER CURRENCIES

Oct.12	£	$
Argentina	1007.30-1016.00	650.00-655.00
Australia	2.0130-2.0155	1.3020-1.3040
Brazil	6.5900-6.6310	4.2520-4.2730
Finland	6.7150-6.7275	4.3400-4.3420
Greece	259.95-264.45	167.25-170.00
Hong Kong	12.0900-12.1025	7.8070-7.8090
Iran	116.90*	71.20*
Korea(Sth)	1031.90-1048.50	668.90-674.10
Kuwait	0.4655-0.4675	0.3000-0.3010
Luxembourg	62.05-62.15	40.00-40.10
Malaysia	4.1700-4.1810	2.6920-2.6970
Mexico	4032.00-4050.00	2600.00-2610.00
N. Zealand	2.6410-2.6470	1.7195-1.7225
Saudi Ar.	5.8020-5.8275	3.7500-3.7510
Singapore	3.0455-3.0510	1.9670-1.9690
S. Af (Cm)	4.2175-4.2225	2.7240-2.7255
S. Af (Fn)	5.9235-6.0385	3.8240-3.8985
Taiwan	39.70-39.80	25.65-25.70
U.A.E.	5.7005-5.7060	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1695	+1.68	+1.14	±1.5424
Danish Krone	7.85212	8.01531	+2.08	+1.54	±1.6419
German D-Mark	2.05853	2.05569	-0.14	-0.40	±1.1019
French Franc	6.90403	6.96941	+0.95	+0.41	±1.3719
Dutch Guilder	2.31943	2.32026	+0.04	-0.50	±1.5019
Irish Punt	0.768411	0.772481	+0.53	-0.01	±1.6689
Italian Lira	1483.58	1507.42	+1.61	+1.53	±4.0815
Spanish Peseta	133.804	130.885	-2.18	-2.14	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Oct.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5445-1.5600	1.5505-1.5515	0.84-0.82cpm	6.42	2.40-2.37pm	6.15
Canada	1.8135-1.8295	1.8210-1.8220	0.48-0.40cpm	2.90	1.36-1.24pm	2.85
Netherlands	3.32¾-3.36¼	3.33½-3.34½	2-1¾cpm	6.96	5¾-5⅝pm	6.59
Belgium	61.85-62.55	62.05-62.15	30-27cpm	5.51	84-79pm	5.25
Denmark	11.49½-11.60½	11.53-11.54	4-3⅝orepm	3.97	11¾-10¾pm	3.84
Ireland	1.1085-1.1160	1.1120-1.1130	0.45-0.40ppm	4.58	1.20-1.10pm	4.13
W. Germany	2.94¾-2.98	2.95¾-2.96¼	1¾-1⅝pfpm	7.09	5-4⅞pm	6.67
Portugal	247.60-253.80	250.80-251.80	12-31cdis	-1.03	27-70dis	-0.77
Spain	187.85-189.23	188.15-188.45	20-7cpm	0.86	41-24dis	0.69
Italy	2162½-2181¼	2167½-2168½	6-4lirepm	2.77	15-13pm	2.98
Norway	10.90¾-10.99	10.93-10.94	3¼-3orepm	3.50	9⅛-8⅞pm	3.36
France	10.00¾-10.08½	10.03-10.04	4⅝-4⅜cpm	5.38	12⅛-11⅞pm	4.83
Sweden	10.11¾-10.18¼	10.13¾-10.14¾	2⅞-2⅝orepm	3.25	8-7⅝pm	3.08
Japan	222-225¼	223-224	1¾-1⅝ypm	9.06	4⅞-4⅝pm	8.39
Austria	20.74-20.95	20.76-20.79	11½-10½gropm	6.28	32¾-29¾pm	6.03
Switzerland	2.58¾-2.61½	2.59-2.60	1⅝-1½cpm	7.23	4½-4⅜pm	6.84
ECU	1.4370-1.4430	1.4370-1.4380	0.56-0.53cpm	4.55	1.59-1.54pm	4.35

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 62.20-62.30 Six-month forward dollar 4.69-4.64cpm 12 Months 8.40-8.30cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5445-1.5600	1.5505-1.5515	0.84-0.82cpm	6.42	2.40-2.37pm	6.15
Ireland†	1.3895-1.3970	1.3960-1.3970	0.21-0.16cpm	1.59	0.67-0.57pm	1.78
Canada	1.1725-1.1765	1.1750-1.1760	0.33-0.36cdis	-3.52	0.96-1.01dis	-3.36
Netherlands	2.1475-2.1615	2.1525-2.1535	0.10-0.08cpm	0.50	0.29-0.25pm	0.50
Belgium	39.95-40.25	40.00-40.10	1.70-3.20cdis	-0.73	6.50-9.00dis	-0.77
Denmark	7.42-7.46½	7.43½-7.44	1.40-1.60cpm	2.42	3.95-4.35pm	2.23
W. Germany	1.9025-1.9150	1.9075-1.9085	0.14-0.12pfpm	0.82	0.33-0.30pm	0.66
Portugal	162.10-162.30	162.25-162.35	65-75cdis	-5.18	265-290dis	-6.84
Spain	121.15-121.65	121.35-121.45	50-60cdis	-5.45	158-168dis	-5.38
Italy	1396-1402½	1397½-1398	4.20-4.70liredis	-3.82	12.00-13.00dis	-3.58
Norway	7.04¼-7.06¾	7.04¾-7.05¼	1.48-1.73oredis	-2.73	4.45-4.75dis	-2.61
France	6.45-6.48½	6.46¾-6.47¼	0.70-0.80cdis	-1.39	2.00-2.15dis	-1.28
Sweden	6.53-6.56	6.53¾-6.54¼	1.59-1.74oredis	-3.06	4.85-5.10dis	-3.04
Japan	144.00-144.80	144.10-144.20	0.32-0.30ypm	2.58	0.85-0.82pm	2.31
Austria	13.40¼-13.46¾	13.42½-13.43	0.30pm-0.20gdis	-0.22	1.00pm-0.60dis	-0.24
Switzerland	1.6660-1.6795	1.6720-1.6730	0.16-0.13cpm	1.04	0.37-0.33pm	0.84
ECU	1.0760-1.0805	1.0795-1.0805	0.17-0.16cpm	1.83	0.48-0.46pm	1.74

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.10-40.20.

EURO-CURRENCY INTEREST RATES

Oct.12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15¼-14⅞	15¼-14⅞	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛	14⅞-14¾
US Dollar	8⅞-8⅞	8⅞-8⅞	8¾-8⅝	8¾-8⅝	8⅞-8⅞	8⅞-8⅞
Can. Dollar	12-11¾	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	11⅞-11⅞	11⅞-11½
D. Guilder	8½-8⅜	8½-8⅜	8⅛-8⅜	8⅛-8⅜	8⅛-8⅜	8⅛-8⅛
Sw. Franc	7⅝-7½	7⅝-7½	7⅝-7⅝	8⅛-7⅞	8⅛-7⅞	7⅞-7⅞
Deutschmark	8⅛-7⅞	8⅛-8	8⅛-8	8⅜-8⅛	8⅜-8⅛	8⅛-8
Fr. Franc	9⅞-9⅝	9⅞-9⅝	10-9⅞	10⅛-9⅞	10⅛-9⅞	10-9⅞
Italian Lire	12-10	12½-11½	12⅝-12⅛	12½-12	12½-12⅛	12½-12⅛
B. Fr. (Fin)	9½-9⅜	9⅝-9½	9⅞-9⅞	9⅞-9⅞	9⅝-9⅜	9⅝-9½
B. Fr. (Con.)	9⅞-9⅜	9⅞-9½	10-9⅝	10-9⅝	9⅞-9½	9⅞-9½
Yen	6⅛-6	6⅛-6⅛	6⅛-6⅛	6½-6⅜	6½-6⅜	6½-6⅜
D. Krone	10⅞-10⅞	11⅛-10⅞	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞	11-10⅞
Asian $Sing	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅝-8½

Long term Eurodollars: two years 8⅝-8½ per cent; three years 8⅝-8⅝ per cent; four years 8⅞-8⅞ per cent; five years 8⅞-8⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.552	2.960	223.5	10.04	2.595	3.340	2168	1.822	62.10
$	0.645	1	1.908	144.1	6.473	1.673	2.153	1398	1.175	40.04
DM	0.338	0.524	1	75.51	3.392	0.877	1.128	732.4	0.616	20.98
YEN	4.474	6.940	13.24	1000.	44.92	11.61	14.94	9700	8.152	277.9
F Fr.	0.996	1.545	2.948	222.6	10.	2.585	3.327	2159	1.815	61.85
S Fr.	0.385	0.598	1.141	86.13	3.869	1	1.287	835.5	0.702	23.93
H Fl.	0.299	0.464	0.886	66.92	3.006	0.777	1	649.1	0.546	18.59
Lira	0.461	0.715	1.365	103.1	4.631	1.197	1.541	1000.	0.840	28.64
C $	0.549	0.851	1.625	122.7	5.510	1.424	1.833	1190	1	34.08
B Fr.	1.610	2.498	4.767	359.9	16.17	4.179	5.378	3491	2.934	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

U.S. TREASURY BILLS (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

SWISS FRANC (IMM) SFr 125,000 $ per SFr

STANDARD & POORS 500 INDEX $500 times index

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR $1m points of 100%

THREE MONTH EUROMARK DM1m points of 100%

FT-SE 100 INDEX £25 per full index point

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5510	1.5457	1.5272	1.5044	1.4675

IMM-STERLING $ per £

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 69,621

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Rates up on Lawson

INTEREST RATES rose in London in response to the speech yesterday by the UK Chancellor, Mr. Nigel Lawson, at the Conservative Party Conference. The lack of any fresh initiative to overcome the present financial problems led to a weakening of the pound and a rise of about ⅛ per cent in rates. Three-month sterling interbank opened unchanged at 15⅛-15⅛ per cent, but moved up to 15⅛-15⅛ following the speech.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England initially forecast a credit shortage of £300m on the London money market, but revised this to £350m in the afternoon. The authorities did not operate in the market before lunch, but in the afternoon gave total help of £226m. The Bank of England bought £136m bills, by way of £95m bank bills in band 1 at 14⅞ per cent and £41m Treasury bills in band 2 at 14⅞ per cent. Late assistance of around £90m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £41m, with a rise in the note circulation absorbing £75m and bank balances below target £80m.

In Frankfurt the banking system remained short of day-to-day funds. Call money traded at 7.90 per cent, easing slightly from Wednesday's level of 7.95 per cent, but dealers suggested that this week's net injection of DM6.6bn at a securities repurchase agreement tender was not enough to move rates significantly below the 8 per cent Lombard emergency financing rate. Payment of DM3bn for a Federal Government bond helped to keep conditions tight, but the fact that banks were less prepared to pay 8 per cent for funds on the open market suggested that Lombard borrowing has probably declined.

Banks reserve holdings at the Bundesbank rose to DM50.6bn on Tuesday, from FM48.8bn on Monday, averaging DM63.6bn for the first 10 days of October, against an expected average requirement of about DM56bn for the month.

In Paris dealers did not rule out another rise in official interest rates, as money market rates firmed. Three-month French interbank rose to about 10 per cent from 9⅞ per cent, as hopes of an easing of US interest rates faded, according to the market.

In New York traders were divided on whether the Federal Reserve had eased its monetary stance. As expected the Fed drained funds from the banking system, via four-day matched sale and repurchase agreements, when Federal funds were trading at 8⅞ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.12) 3 months US dollars		6 months US Dollars	
bid 8⅞	offer 8⅞	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10½	One month	7.58	Three year	8.04
Broker loan rate	10	Two month	8.14	Four year	8.02
Fed.funds	9¼	Three month	7.92	Five year	7.99
Fed.funds at intervention	-	Six month	8.03	Seven year	8.05
		One year	8.00	10-year	8.03
		Two year	8.02	30-year	8.02

Oct.12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.85-7.95	7.75-7.90	7.80-7.95	7.85-8.05	7.80-8.00	8.00
Paris	9¾-9⅞	9⅞-10	9⅞-10⅛	9⅞-10⅛	9⅞-10⅛	9.50
Zurich	6⅞-6⅞	7½-7⅞	-	7⅞-8	-	-
Amsterdam	8.50-8.60	8.18-8.28	-	8.18-8.28	-	-
Tokyo	6⅛-6⅛	6⅛-6⅛	-	6⅛-6⅛	-	-
Milan	12⅛-12⅞	12⅛-13	-	12⅞-13⅛	-	-
Brussels	10.00	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	9½-9⅞	10½-10⅝	10¾-10⅞	10⅝-10⅞	10⅝-10⅞	-

LONDON MONEY RATES

Oct.12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15⅛	15⅛	15⅛	15⅛	14⅞
Interbank Bid	13½	14⅞	15	15	14⅞	14⅞
Sterling CDs	-	-	15⅛	15⅛	15	14⅞
Local Authority Deps.	14¾	14¾	15	15	15	14¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	15	14¾	14½	-	-
Company Deposits	-	-	15⅛	15⅛	15⅛	14⅞
Finance House Deposits	-	-	15⅛	15⅛	15⅛	14⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14	-
Fine Trade Bills (Buy)	-	-	15⅞	15⅞	14⅞	-
Dollar CDs	-	-	8.72	8.75	8.60	8.55
SDR Linked Dep Offer	-	-	8⅝	8⅝	8¾	8⅝
SDR Linked Dep Bid	-	-	8⅜	8⅜	8½	8½
ECU Linked Dep Offer	-	-	10½	10⅞	10⅞	10⅞
ECU Linked Dep Bid	-	-	10¾	10⅞	10⅞	10⅞

Treasury Bills (sell); one-month 14⅞ per cent; three months 14½ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.3757 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25 to November 25, 1989, Scheme I: 14.82 p.c., Schemes II & III: 15.27 p.c. Reference rate for period Sept 1,1989 to Sept 29, 1989, Scheme IV&V: 14.018 p.c.Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from October 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25,1989, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

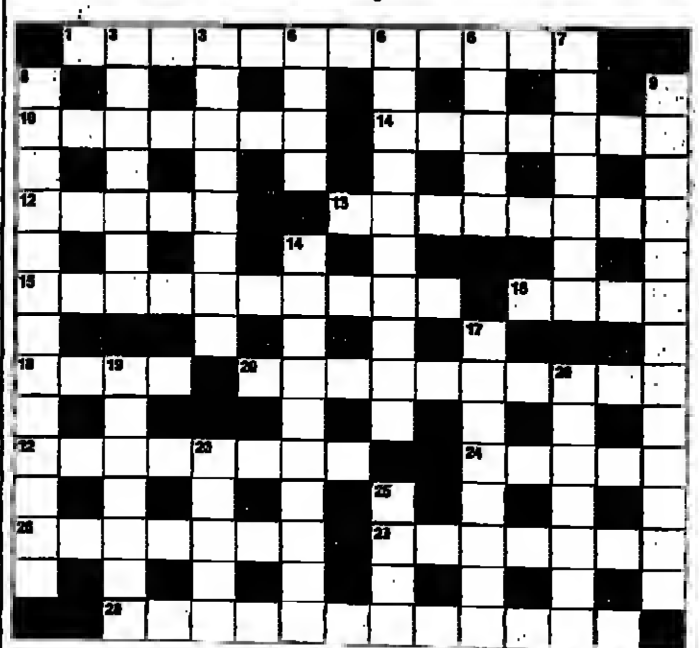
	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm. Bk N.East	15	Northern Bank Ltd	15
Allied Arab Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	15
Associates Cap Corp	15	Duncan Lawrie	15	R. Raphael & Sons	15
Authority Bank	15	Equatorial Bank plc	15	Roxburghe Guarantee	15½
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
Bank Hapoalim	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank Leumi	15	First National Bank Plc	15	● Smith & Williamson Secs.	15
Bank Credit & Comm.	15	● Robert Fleming & Co	15	Standard Chartered	15
Bank of Cyprus	15	Robert Fraser & Ptrs	15½	TSB	15
Bank of Ireland	15	Girobank	15	United Bk of Kuwait	15
Bank of India	15	● Guinness Mahon	15	United Mizrahi Bank	15
Bank of Scotland	15	HFC Bank plc	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	● Hambros Bank	15	Western Trust	15
Barclays Bank	15	Hampshire Trust Plc	15½	Westpac Bank Corp	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bk	15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	● Hill Samuel	§15	Yorkshire Bank	15
● Brown Shipley	15	C. Hoare & Co	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bank	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9%. Top Tier-£10,000+ at call 12.8% § Mortgage base rate. ¶ Demand deposit 9%. Mortgage 14.25% - 15%

JOTTER PAD

CROSSWORD

No.7,062 Set by GRIFFIN



The ten starred clues have no definitions but their solutions are all of a kind.

ACROSS

*1 Swallowing some meat raw after midnight, are bad (6,6)
10 Scene in assembly causes outrage (7)
*11 Permit to enter French coast (7)
12 Passes Lawrence, boasting about it (5)
13 Russian leader has mire shifted before it gets more boggy (8)
15 Tends to include young unmarried nannies (10)
16 Cornish banker returns key in piece of paper (4)
*18 Faulty music centre to be removed (4)
20 Having cold room home's more suitable for something carrying genetic information (10)
22 Neglect hole in front of church (8)
24 Putting me in goal is correct (5)
26 Relaxation of silly rules about 'e' before 'I' (7)
27 Net adjustment by water board (7)
*28 Recall row is over a student (6,7)

DOWN

*2 Wealthier without capital tax (7)
3 Hospital runs met sick people on horseback (8)
4 Satisfied with bearing inserted in fitting (4)
*5 Free boy comes round daily (10)
*6 The Iberian is about fifty (5)
7 One in ten new members twist together (7)
*8 Changes violin for a wig (8,5)
*9 He has lying friend beaten up (5,8)
14 Personal dryers that break in the innermost part (4,6)
*17 Rear man leaves here, inside it (8)
19 Beginning one's first letter? (7)
21 Crazy lover put Joison in blanket (7)
23 An Indian saying, "quit without it", is included (5)
25 She takes five a time (4)

Solution to Puzzle No.7,061

WORLD STOCK MARKETS

AUSTRIA

October 12	Sch	+ or −
Austrian Airlines	3,230	−170
Creditanstalt	4,450	−50
Goesser	6,490	−120
Interunfall	30,500	.....
Jungbunzlauer	20,000	−50
Laenderbank	600	−25
Perlmooser	1,750	−50
Reininghaus	2,810	.....
Semperit	208	−10
Steyr-Daimler	149	−1
Veitscher Mag	1,220	−40
Verbund	338	−3

BELGIUM/LUXEMBOURG

October 12	Frs.	+ or −
Arbed	6,100	−100
B.B.L.	3 600	.....
Bank Intl. a Lux	13,550	.....
Banque Gen. Du Lux	14,600	.....
Banque Nat Belg	37,200	+175
Bekaert B	15,000	−100
Ciment CBR	8,000	−30
Cobepa	5,670	+70
Do. AFV 1	6,400	−40
Cockerill	240	−4
Colruyt	18,475	.....
Delhaize	6,100	−50
EBES	4,430	−35
[illegible]	[illegible]	[illegible]

FRANCE (continued)

October 12	Frs.	+ or −
Arjomari-Prioux	3,010	+9
Auxiliaire d'Ent	1,079	+14
BIC	795	−6
BSN	726	+5
Bancaire Cie	638	−9
BNP (Cert.Inv.)	415	−5
Beghin-Say	711	+12
Do. Certs	505	.....
Bongrain	3,261	−11
Bouygues	762	−8
CMB Packaging	232	+0
Carrefour	3,540	+30
Casino	224	−1
Cetelem	675	+1
Chargeurs	1,178	+20
Ciments Fr.	1,760	−9
Club Mediterranee	645	+4
Cofimeg	360	−5
Coofi	419	+5
CGE	491 6	−3.9
Coparex	376	+18
Cred Foncier Fr	1,096 xc	−28
Credit National	1,185	−5
Damart	3,820	−80
Docks de France	5.000	+5
Dollfuss-Mieg	581	+6
Dumez S.A.	1,040	+10
Eaux (Cie Gen)	2,191	−29
Ecco	568	+3
Electrofin're	1,198	−1
[illegible]	[illegible]	[illegible]

GERMANY (continued) — [illegible]

ITALY (continued) — [illegible]

NETHERLANDS — [illegible]

SWEDEN — [illegible]

SWITZERLAND — [illegible]

DENMARK — [illegible]

FINLAND — [illegible]

FRANCE — [illegible]

GERMANY — [illegible]

ITALY — [illegible]

NORWAY — [illegible]

SPAIN — [illegible]

SOUTH AFRICA — [illegible]

JAPAN — [illegible]

AUSTRALIA — [illegible]

HONG KONG — [illegible]

SINGAPORE — [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

4pm prices October 11

Quotations in cents unless marked $.

[illegible]

MONTREAL

4pm prices October 12

[illegible]

Total Sales 5,191,990 shares

INDICES

NEW YORK

DOW JONES	Oct 12	Oct 11	Oct 10	Oct 9	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2759.84	2773.36	2785.33	2791.41	2791.41 2 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.94	92.89	93.01	92.62	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1484.35	1484.53	1505.87	1518.49	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/52)
Utilities	219.25	219.00	219.50	219.13	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2785.25 (2790.98) Low 2744.06 (2750.82)

STANDARD AND POOR'S

	Oct 12	Oct 11	Oct 10	Oct 9	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	355.39	356.99	359.13	359.80	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	407.40	407.40	409.73	410.49	410.49 (9/10)	318.66 (3/11)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	34.67	34.88	35.14	35.24	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	196.98	197.81	199.00	199.34	199.34 (9/16)	154.98 (3/1)	199.34 (9/10/89)	4 46 (25/4/42)
Amex Mkt. Value	395.01	395.68	397.03	396.52	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	482.19	482.16	484.14	485.73	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 6	Sep 29	Sep 22	year ago (approx.)
Dow Industrial Div. Yield	3.62	3.74	3.75	3.60

	Oct 11	Oct 4	Sep 27	year ago (approx.)
S & P Industrial div. yield	2.82	2.82	2.90	3.19
S & P Indl. P/E ratio	14.91	14.90	14.42	13.03

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Centerior Energy	6,188,400	19½	+ ⅛
Upjohn	2,299,700	40½	− 1¼
Paramount	2,087,200	63⅛	− 2⅛
Philip Morris	1,808,400	44⅜	− ⅝
Gulf States	1,737,100	12⅛	+ ¼
Chevron Corp	1,693,400	65⅞	− 1⅛
Tandem Comp	1,664,900	24¼	+ ⅜
Amer Corp	1,598,700	98⅜	+ 1⅝
Am T & T	1,558,300	42⅞	+ ⅜
Harcourt Brace	1,413,800	8⅛	− ⅞

TRADING ACTIVITY

† Volume (Millions)	Oct 12	Oct 11	Oct 10
New York	160.120	164.070	147.560
Amex	11.943	12.029	12.665
NASDAQ	(u)	133.006	136.962
Issues Traded	(u)	1,969	1,960
Rises	(u)	453	641
Falls	(u)	1,018	829
Unchanged	(u)	498	490
New Highs	(u)	59	115
New Lows	(u)	43	31

CANADA

TORONTO	Oct 12	Oct 11	Oct 10	Oct 9	1989 HIGH	1989 LOW
Metals & Minerals	3652.9	3662.2	3727.9	(c)	3919.2 (1/9)	3307.5 (3/1)
Composite	4012.5	4008.5	4025.4	(c)	4037.8 (6/10)	3360.5 (6/1)
MONTREAL Portfolio	2051.44	2055.49	2069.68	(c)	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 12	Oct. 11	Oct. 10	Oct. 9	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1730.4	1747.5	1755.7	1773.2	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	837.7	849.3	854.0	862.1	875 1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	501.02	515.09	514.39	510.10	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6719.83	6800.63	6771.96	6710.06	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	338.18	338.63	339.94	338.59	356.65 (12/7)	275 49 (27/2)
FINLAND						
Unitas General (1975)	699.8	696.6	690.2	680.8	815.8 (18/4)	674 8 (27/9)
FRANCE						
CAC General (31/12/82)	547 9	561.6	559.9	560.2	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	126 1	127.5	128 1	127 8	128 1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	677.41	678.61	690.91	687.25	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	2014.8	2020.0	2056.8	2050.3	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1612.79	1604 05	1636.41	1639.55	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2793.45	2807.78	2844 04	(c)	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1765.58	1763.77	1772.92	1786.43	1848.93 (10/6)	1360 64 (10/1)
ITALY						
Banca Com. Ital. (1972)	696.09	695.73	691 39	693.08	734.84 (31/8)	577 49 (28/2)
JAPAN						
Nikkei (16/5/49)	34795 34	35240 07	(c)	35376.35	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2623 60	2650.51	(c)	2673 56	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen (End 1983)	265.8	268.0	270.5	269 8	272.7 (21/9)	203.3 (3/1)
CBS All Shr (End 1983)	204.3	206 1	209 6	207.5	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	666 75	671 60	679 11	682.02	695 50 (28/9)	467 17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1264.57	(u)	1236 42	1242 89	1264.57 (12/10)	804 62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1431.95	1428 98	1420 91	1420.18	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1503.0‡	1488.0	(c)	(c)	1710.0 (27/9)	1291 0 (15/2)
JSE Industrial (28/9/78)	2624.0‡	2648.0	(c)	(c)	2838 0 (25/8)	1961 0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	929.61	928.06	921.77	(c)	1007.80 (3/4)	846.50 (1/7)
SPAIN						
Madrid SE (30/12/85)	(c)	322.76	322.32	323.03	328.93 (13/9)	268 61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4443 8	4437.28	4360.3	4378 4	4660.3 (16/8)	3335.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	807.9	807.8	813.4	813.3	829.1 (6/9)	613.1 (5/1)
TAIWAN**						
Weighted Price (30/6/66)	10293.66	10287.08	(c)	9966.58	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	700.17	697.29	693.62	690.78	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	535.8	540 6	543 9	551.2 (3/8)	487 6 (13/6)

**Saturday Oct. 7: Taiwan Weighted Price. 9371.86. Korea Comp Ex. 922.67.

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000. JSE Gold – 255 7. JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday October 12 1989

	Stocks Traded	Closing Prices	Change on day
Sharp	38.6m	1,560	+20
Canon	24.5m	1,970	-40
Toyota	23.0m	2,820	-30
Nippon Steel	14.0m	698	-19
MHI	11.4m	1,019	-30
Bridgestone	11.0m	1,890	-60
Nissan Chem	8.8m	972	+19
Matsushita	8.1m	2,460	-30
Toshiba	7.9m	1,130	-40
Sony	7.4m	8,300	-90

3pm prices October 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
37⅛	21¼	AAR	.44	1.2	23	165	36½	35⅛	20½	+ ⅝
9⅞	8⅜	ACM s	1.01	11.		68	0¼	9⅛	9⅛	− ½
11⅝	19¼	ACMIn	1.26a	11.		269	11½	11¾	11⅝	
19¼	6	ACM M	s1.01	11.		135	8⅞	8⅝	8⅞	
11½	19	ACM Sc	1.26	11.		565	11⅛	11	11⅛	− ⅛
9⅞	0⅜	ACMSp	1.01	11.		329	9	8⅞	0⅞	
10	11½	AL Lab	.12	.7	17	25	10⅛	18	18⅛	+ ¼
4⅛	3⅛	AMCA	.12e	3.4	28	36	3⅝	3½	3½	− ⅝
8⅛	4½	AM Intl			11	1784	5⅜	5¾	5¼	− ⅛
23½	35⅛	AM In pf	2	9.8		24	22⅝	22¼	22¼	
107¼	48½	AMR			11	11660	93⅝	87¾	88⅞	+ 1¾
24⅞	23⅛	ANR pf	2.12	8.8		1	24½	24⅛	24½	
7⅝	3⅝	ARX				25	4¼	4	4⅛	+ ¼
40⅞	37⅛	ASA	3a	6.7		524	45⅛	44⅝	44⅝	
30¼	15¼	AVX	.24	.8	14	697	29⅝	29½	28⅝	
63½	44⅛	AbtLab	1.40	2.1	18	2117	67⅞	67¼	67⅝	+ ⅝
18¼	13¾	AbitIbi g	1			51	14½	14¾	14½	+ ⅝
16	7½	AcmeC	.40	3.7		11	10⅝	10⅛	10⅝	
9¾	0⅞	AcmeE	.32	5.9	11	11	8⅛	9	0	− ⅛
20½	35¼	Acuson			27	408	27½	36⅞	37⅛	− ⅝
17	14¼	AdaEx	1.82e	11.		84	16¾	16⅝	16¼	+ ⅛
12½	8½	Adobe				27	12½	12⅝	12½	+ ⅛
10⅝	16⅛	Adob pf	1.84	9.6		14	19⅝	19¼	19¼	
21⅝	19⅞	Adob pf	2.40	11.		15	21⅛	21⅛	21⅛	
10½	7⅞	AMD				1383	5¾	0½	8⅝	

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36⅝	24⅛	SPX Cp	1	2.9	6	57	34⅞	34½	34⅝	− ⅜
36⅝	19	SSMC				1	32	32	32	+ ¼
22½	13⅛	SabtchN	.90e	5.6	7	2243	16⅝	16⅛	16⅛	− ⅜
14⅝	11½	SabnR	1.35e	9.6	16	37	14	14	14	
19	14½	StgdSc			10	33	16⅜	15⅞	16⅛	+ ⅜
38¼	23⅛	SafKln	.36	1.0	27	312	37⅛	36¾	36¾	− ⅝
8¼	6⅛	SchGas	1.12	13.	73	86	6⅞	6⅛	6⅛	− ⅛
23	19⅝	StJoLP	1.52	6.7	9	12	22¾	22⅝	22⅝	− ⅛
28⅞	16	Salant			40	40	23⅜	22¾	23	− ⅛
53½	32	SalieM s	.40	.8	21	2763	50¾	49⅞	49⅞	+ ⅛
29¾	23⅛	Salomn	.64	2.5	14	1410	25⅝	25⅛	25⅜	− ¼
42⅞	34⅛	SDieGs	2.70	6.7	14	644	40½	40⅛	40¼	− ⅛
8⅞	6⅛	SJuanB	.17j		60	41	8⅝	8½	8½	+ ⅛
16⅝	11⅝	SJuanR	2.25c		18	6	16⅜	16⅛	16¼	+ ¼
35	28½	SAnIRt	2.08	6.6	22	14	31⅞	31⅝	31⅛	
16¼	7⅛	SFeEP	2.88	44.		335	7½	d 6½	6½	− ⅞
24⅝	23	SFePP	n2.20	9.7		86	23	22⅝	22⅝	− ⅛
25⅜	13¼	SFePCp				1465	23	22½	22⅝	− ⅜
65	42	SaraLee	1.44	2.4	17	1507	60⅜	59½	60⅜	+ ¼
52½	40	SaraL pfB.01e		7.8		6	50	50	50	+ ½
28⅛	20⅝	SavE pfA2.37		9.3		1	25½	25½	25½	
⅞	⅛	Savin				4650	15-32	7-10	15-32	
9⅝	4⅝	Savn pfB.80r		8.9		6	9⅛	6	6	− ⅛
35½	29⅝	SCANA	2.48	7.5	11	45	33⅛	33	33	− ⅛
11⅝	7	Schlr	.56e	5.1		27	11	10⅞	10⅞	− ½

— X—Y—Z —

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60	53⅞	Xerox	3	4.6	16	1248	66	65⅞	65⅞	− ⅜
48⅛	44½	Xerox pf4.18		8.6		2	47	47	47	+ ½
44½	27	XTRA	.72	2.8	6	72	26⅛	27⅛	28	− ⅛
4⅛	2	Zapata				132	2⅛	2⅜	2⅛	
22⅝	14	ZenithE				887	15⅜	15	15	− ⅛
10⅞	6	Zeninc	1.26	18.		252	8	d 7⅛	7⅛	− ⅛
2½	⅝	vjZenLb				2212	7-16	13-32	7-16	+ 1-16
21½	15	ZenNt	.84	4.4	9	9	19⅛	19½	19⅛	
18½	12⅛	Zero s	.40	2.3	16	69	17½	17⅜	17⅛	+ ⅜
44¼	25⅛	Zurwin	.80	1.8	20	20	41⅝	41¼	41¼	− ⅛
15⅛	18	Zweig	1.12e	9.4		228	12	11⅞	11⅛	
10⅝	8½	ZweigTl	.86	10.		1273	9⅜	8½	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ProCm s			21	6	5⅞	6⅞	− ⅛
Prism		13	3	6½	3½	6½	
ProMed	.42	13	116	4⅞	4⅝	4⅝	
ProlCre		18	105	6	4⅝	5	

— R—R —

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Ragan	.12		4	d25⅛	25⅛	25⅛	+ ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 12

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Worthg	.56	17	800	24¼	24	24	− ¼
Wyman	.60	175	661	16	17½	17½	− ½

— X—Y—Z —

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta s		16	517	22½	21⅛	21¼	− ½
XOMA			1009	22½	22	22½	+ ¼
Xicor		10	211	5	4⅝	4⅞	− ½
YanEnS	.35e		25	22	21½	22	+ ½
YelowF	.76	16	452	27¼	27¼	27¼	− ¼
YorkFs			55	6½	6½	6⅝	
ZionUt	1.44		6	31⅛	30⅞	26¾	− ⅛

AMERICA

Dow marks time awaiting release of economic data

Wall Street

WITH no economic news yesterday and September producer prices dne today, the equity market moved slightly lower amid modest profit-taking, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 13.52 points lower at 2,759.84 on moderate volume of 160m shares. Other indices were mixed. The Standard & Poor's 500 and American Stock Exchange Index were slightly lower, while the Nasdaq Composite Index was quoted marginally higher.

There was little incentive to trade in either direction, given that the market was eager to see today's economic data. On balance, however, this week'e profit-taking continued.

The September Prodncer Prices Index is forecast to have risen by as much as 0.6 per cent, having fallen 0.4 per cent in August. Taking out food and energy, the PPI is forecast to have risen by around 0.3 to 0.4 per cent.

Retail sales are expected to have been virtually flat last month, with weakness in auto sales being offset by rises in other sectors.

The PPI is particularly important because the financial markets are looking for any domestic economic justification to persuade the US Federal Reserve clearly to ease monetary policy.

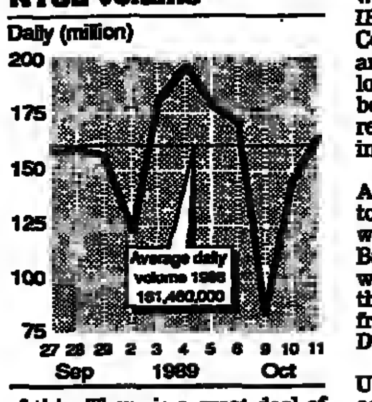
Yesterday, a softening Fed Funds rate convinced many in the bond market that the Fed had already quietly lowered its target for Fed Funds, although there has been no clear signal of this. There is a great deal of international pressure within the Group of Seven for the Fed to ease because the dollar has continued to attract snbstantial demand in spite of the combined force of interest rate rises in non-US nations and concerted open market intervention.

It is also under pressure from the Administration, which wants to prolong the economic expansion for as long as possible.

The PPI is important. There is known to be e deep reluctance among many influential Fed board members to lower interest rates and a large jump in the PPI today would simply strengthen their hand.

As for the internal dynamics of the equity market, there has been some profit-taking, but so far the selling pressure has not appeared to be intense given the fact that the Dow Jones Industrial Average jumped more than 90 points last week.

NYSE volume



Blue chip issues were on the weak side yesterday morning. IBM slipped $¾ to $107⅞, Coca-Cola dipped $1 to $69⅞ and General Electric edged $¼ lower to $57⅞. These last two both announced third quarter reports yesterday, which were in line with forecasts.

AMR, the parent company of American Airlines, added $1⅞ to $99 on a US press report which said that Mr Robert Bass, the Texas investor, was willing to help AMR fend off the unwanted $120-a-share bid from real estate developer Mr Donald Trump.

Among other airlines, USAir fell $1¼ to $45⅝ in active trading and UAL added $2¾ to $285, reversing an earlier loss.

MGM-UA Communications rose $⅝ to $20⅝ on reports thet the agreed takeover by Quintex, which was called off, may be resumed with NBC becoming an equity partner in a buy-out of MGM-UA.

Imo Industries fell $2⅞ to $17¾ on the company's estimate that third quarter net income would be 30 per cent below a year ago.

Canada

THERE was little change in share prices during moderate trading in Toronto, with trade moving in a fairly tight range throughout the day.

Toronto's composite index was up 3.95 at 4012.43, as advances narrowly beat out declines 354 to 321. Volume was 25.74m shares, worth C$356.9m, compared with Wednesday's 25.57m shares, valued at C$355.1m.

Swiss catch their breath after a summer of delight

William Dullforce reports on the greater interest being shown by domestic institutions

SHORT-TERM outlook, neutral to negative, medium and long-term perspective, positive. With this summing up, Mr Michel Koch of Lombard, Odier reflects the current consensus on Swiss equities among local analysts.

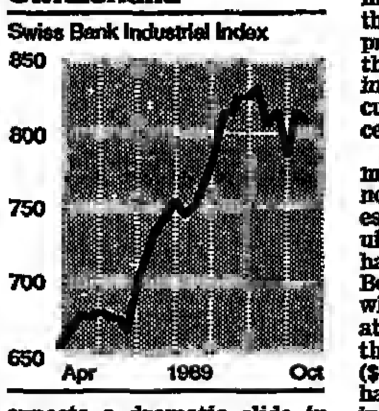
The Swiss market has been catching its breath since the beginning of September, after a rally starting early in June which took it from a tailed-off position into the middle of the pack.

The composite Swiss index is up 30 per cent from the beginning of the year; but on Wednesday, it was still 3.4 per cent below its August 28 peak, after dipping earlier to a 5.3 per cent decline.

Concern about interest rates (the three-month Eurofranc rate rose above 7.8 per cent yesterday), inflation and the future movement of the dollar has dampened short-term enthusiasm. Turnover on the Zurich stock exchange was more than 18 per cent lower in September than in August, and volume in the 13 blue chip stocks traded on the Swiss Options and Financial Futures Exchange declined by 50 per cent.

Some analysts envisage a further downward correction, particularly if interest rates climb higher next month. But Swiss corporate earnings are set for strong growth this year, with estimates varying between 14 and 18 per cent, and price/earnings ratios are 25 to 30 per cent lower than they were before the October 1987 crash. As a result nobody expects a dramatic slide in equity prices.

Switzerland



Indeed, if the economies of the major industrialised countries achieve soft landings, several factors seem to presage a bnoyant Swiss stock market next year. Among these are the expectation that the Swiss National Bank would ease its clamp on the money supply as inflation fears abate; the pressure on Swiss pension funds to invest more in equities; and the greater openness Swiss corporations are starting to show towards foreign investors.

Domestic institutions, at last, have started to play e greater role on the stock exchange. If the rally in the spring was prompted largely by the return of foreign investors, buying by institutions has helped to attenuate the effect of foreign profit-taking over the past month, according to brokers.

An even bigger role for pension funds is envisaged following the Government's decision this month, in a crackdown on property speculation, to limit the amount the funds may invest in real estate. The funds currently hold only 7 to 8 per cent of their assets in equities.

No immediate impact on the market is likely. The funds will not be obliged to sell off real estate and a formula for revaluing their property placements has yet to be agreed. But Mr Beat Philipp of Bank Vontobel, which has researched the situation of the funds, believes that their daily SFr80m ($47.5m) net cash flow will have to be channelled increasingly into equities.

Some brokers have received hints this week that, as pessimism grows about the future of the UK market, they can expect more money from London in pursuit of Swiss stocks. Since Nestlé set the ball rolling last November, a few Swiss companies have been making tentative moves to adjust their capital structures to accommodate foreigners, and are disclosing more information of the kind to which foreign investors are accustomed.

On its merger with Inspectorate, for example, Adia will convert all its registered stock into bearer shares with free access to foreigners. Earlier, even Zurich Insurance made a gesture to shareholders abroad, by allowing holders of its bearer shares and participation certificates (PCs) to join in a SFr810m bond issue carrying warrants linked to registered shares.

ASIA PACIFIC

Nikkei suffers second biggest drop of year

Tokyo

A WAVE of heavy eelling swept through the Tokyo market as investors watched the yen slide against the dollar regardless of the rise in the Official Discount Rate. The Topix index suffered its biggest drop of the year and the Nikkei average its second biggest, *writes Michiyo Nakamoto in Tokyo.*

Turnover, however, was relatively low at 632m shares, down from the 751m traded on Wednesday, indicating that a fair number of investors had opted to stay on the sidelines.

The Nikkei average closed the day 445.02 points down at 34,795.05, the day's low. This was the first time in 12 trading days that the Nikkei has dropped below 35,000. The day's high was at 35,219.53. The Topix index of all listed shares plunged 36.89 to 2,623.60.

Declines far outnumbered advances by 857 to 161 while 110 issues were unchanged. The ISE/Nikkei 50 index in London showed a fall of 0.98 to 2,022.49.

The yen's failure to hold up against the dollar in spite of the half point increase in Japan's official interest rate made investors jittery from the start and shares drifted lower as speculation spread about another interest rate increase. The growing view was that the increase was not big enough and that the dollar would remain strong for some time, calling for another rate rise within the year. Investors also thought that the Bank of Japan had decided on a moderate increase in order to leave room for another one if necessary.

"The mood here is very bad," said one trader at a foreign securities firm. Most experts thought the market's near term outlook was bleak, with investors unlikely to take an active part unless they get a clearer idea of what will happen. The correction could be rather long drawn-out, according to Mr Shoin Yokoyama at Credit Suisse Investment Advisory. "We could very well see the selling climax next week."

However, Mr Masami Okuma at UBS Philips and Drew said that as long as the yen/dollar exchange rate stabilises within an acceptable range investors were likely to return and pick up special situation stocks and those in the small and medium capitalisation range.

The unfortunate thing about yesterday's market, he said, was that the big Japanese brokers had just turned buying interest around from the small capitalisation stocks to large high-tech issues like Toyota and Matsushita. Investors had been encouraged to buy these for short-term profits, and they sold quickly when the market outlook turned bleak. The timing could not have been worse, he said.

The list of most active issues was dominated by stocks that fell, having been in favour the day before. Canon, second on the list with 24.5m shares, lost Y40 to Y1,970.

Sharp, the consumer electronics company, was a notable exception, rising Y20 to Y1,550. It topped the most actives list with 36.8m shares. Investors favoured Sharp's low price/earnings ratio and its good business performance as well as the fact that it has lagged behind other electronic issues.

Osaka came under selling pressure and the OSE average shed 427.64 to close at 35,877.83. Volume sank to 55m shares from the 64m traded on Wednesday.

Roundup

MONETARY and interest rate uncertainties, and further judicious profit-taking, linked the mood in Tokyo with other markets in the region yesterday.

AUSTRALIA, which opened October with an excellent week, took its fourth straight loss yesterday on profit-taking, the interest rates conundrum, and fears over the direction of international markets. In addition, resource issues were hit by a downturn in London, and weaker base metal prices.

The All Ordinaries index fell another 17.1 to 1,730.4 in turnover of 97m shares worth A$213m, down from 138m and A$200m on Wednesday. In the mining sector, CRA lost 30 cents to A$12, Western Mining 16 cents to A$6.36 and MIM 4 cents to A$2.56.

News Corp tumbled another 45 cents to A$14.85 on turnover of 1.2m shares. Mr Rupert Murdoch poured cold water on profit hopes for the group last Tuesday, and late on Wednesday he said that he was still interested in MGM/UA Communications of the US. Qintex, the failed bidder for MGM/UA, gained 3 cents to 47 cents.

Bond Corp continued to recover from Tuesday's 10-year low, firming 2 cents to 33 cents. Its associate, Bell Resources, added 2 cents to 95 cents.

NEW ZEALAND followed Australia down, but on a slightly steeper trend as the Barclays share dropped 36.79 to 2,237.93, the biggest of its four consecutive losses.

HONG KONG was torn between the joys of the new HK$127bn infrastructure package, and worries about the dispute over illegal immigrants between China and Hong Kong, after a Chinese dissident swimmer was allowed to leave the colony for the US.

Turnover fell from HK$1.34bn to HK$1.12bn and the Hang Seng index continued its correction with a 14.33 decline to 2,793.45.

Against the trend, Hong Kong Telecom gained 7.5 cents to HK$4.875. The move followed news late on Wednesday that Salomon Brothers is offering 50m covered warrants on the group's shares.

SINGAPORE just made another post-crash high, the Straits Times industrial index rising 2.87 to 1,431.85 on late buying interest and bargain hunting. Volume was low, due to a two-day DBS Bank investment conference and a holiday in Malaysia.

MANILA rose on strong foreign buying, the composite index gaining 28.15 to 1,264.57. Interest centred on the commercial sector, which finished at a new high, with the commercial-industrial index gaining 50.68 to 1,929.23.

EUROPE

Stake-building stories underpin Paris rally

BOTH Paris and Frankfurt enjoyed a better day, though for different reasons, but there was plenty to depress some of the other bourses, *writes Our Markets Staff.*

PARIS recovered part of Wednesday's fall as keen activity continued in the financial sector, with Paribas and Navigation Mixte still enthusiastically sought.

Volume was estimated to be well below Wednesday's hefty FFr4.9bn, partly because of a technical hitch which made it difficult to obtain real time prices during the morning.

The OMF 50 index rose 2.7 to 531.97, having started weakly.

Paribas rose FFr31 to FFr620, with Navigation Mixte still rumoured to be the possible buyer. Another running theme was that Paribas or its friends were picking up stock themselves. This could simply be to strengthen the friendly "hard core" shareholding, currently at about 35 per cent, or it could be aimed at avoiding dilution in the event of a takeover bid for Navigation Mixte in the form of a equity swap.

Navigation Mixte rose FFr74 to FFr1,673. AGF, the state-owned insurance group, said it had received official approval to raise its stake above 10 per cent, after Paribas had announced the same.

Suez climbed FFr4.50 to FFr411, with analysts saying it was benefiting from the interest in Paribas, that it looked relatively attractive after the sharp run-up in its rival, and that UK institutions particularly had been catching up after being light on French financial holdings.

Elsewhere, Peugeot gained FFr17 to FFr929 after strikers voted to halt their factory occupation, while Eurotunnel had e technical bounce, rising FFr3.95 to FFr56.

FRANKFURT moved from stasis to a token, apparently technical, recovery as a 1.20 decline to 677.41 in the FAZ index at mid-session improved to an 8.73 rise to 1,612.78 in the DAX at the close. Volume fell from DM4.6bn to DM4.1bn.

Mannesmann's prospects in its courtship of the tank maker, Krauss-Maffei, looked up as the Bavarian finance minister said that the state, which owns 35.45 per cent of the company, is ready to sell. Mannesmann climbed DM3.50 to DM250.50; on Tuesday, it announced a DM578m rights issue, and Krauss-Maffei is valued at DM488m.

Krauss-Maffei became a target when the West German economics ministry made the sale of MBB's 12.5 per cent stake a condition of its takeover by Daimler. Another major stakeholder in K-M is Feldmühle Nobel, which has 15 per cent. Feldmühle rose another DM11.50 to DM566.50 yesterday; here, there are also stories that Veba, the energy and chemicals group, will either bid for the 54 per cent of Feldmühle that it does not already own, or pass on the stake to another interested party.

MILAN got through the first technical deadline of the October trading cycle with no mishaps, and not much action. The expiration of monthly options contracts saw most of them abandoned, due to the recent lack of performance in the market, and the Comit index edged up 0.36 to 696.09 in modest trading.

The small percentage of options taken up involved, primarily, the Milan merchant bank Mediobanca, Fiat and the Fiat group investment company, Gemina. The re-admission of Banca Nazionale del Lavoro (BNL) savings shares was postponed until next week.

ZURICH, similarly light in the volume department, saw the Crédit Suisse index edge up 0.9 to 653.8.

AMSTERDAM had another depressing day as the bond market weakened. The CBS tendency index was off 2 at 193.2.

Stad Rotterdam, the insurance company, was up Fl 4.40 at Fl 50.90 on takeover rumours. The company is relatively small within the Dutch sector, its premium income only about 10 per cent that of NatNed, and it is on a high price earnings ratio of 15, said an analyst.

Ahold weakened again, losing Fl4 to Fl 130.80 on fears that Asko of West Germany would sell its 15 per cent, but Asko later denied this.

BRUSSELS saw a sharp drop in insurance companies, which posted spectacular gains in previous sessions, and the cash market index fell 80.80, or 1.2 per cent, to 6,719.83.

Groupe AG fell BFr1,425, or about 10 per cent, to BFr12,850. It was reported that the buyer who had been willing to pay over BFr14,000 a share in previous sessions withdrew from the market yesterday. AG's rival insurer, Royale Belge dropped BFr420 to BFr6,950.

HELSINKI gained a little ground in a spate of corporate results with the Unitas index up 3.0 at 699.8.

Trading in Wartsila was suspended for news of its first eight month figures. Huhtamaki I free shares were the day's most active, rising FM3 to FM90

Madrid was closed.

SOUTH AFRICA

GOLD stocks closed marginally firmer in Johannesburg in fairly quiet trade as the previous day's selling pressure in the market eased.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 12 1989						WEDNESDAY OCTOBER 11 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	153.26	−1.9	146.50	132.63	−0.9	4.97	156.27	150.00	134.00	160.41	128.28	142.85
Austria (18)	169.74	−1.2	162.26	158.30	−1.2	1.45	171.79	164.89	171.23	172.22	82.84	91.26
Belgium (63)	142.67	−0.1	136.37	141.26	−0.7	3.92	142.74	137.02	142.21	144.47	125.68	125.92
Canada (122)	153.17	+0.0	146.41	130.36	+0.0	3.15	153.16	147.02	130.37	154.17	124.67	122.92
Denmark (38)	200.34	+0.5	191.50	202.65	+0.6	1.57	199.26	191.31	201.51	219.69	155.79	145.66
Finland (26)	126.53	+0.0	120.52	114.86	+0.7	2.41	124.91	119.90	114.03	159.16	123.12	117.33
France (126)	137.16	+0.6	131.08	139.17	+0.4	2.71	136.25	130.80	138.57	139.84	112.57	101.64
West Germany (97)	100.93	+0.1	96.48	100.12	+0.4	2.05	100.79	96.75	100.36	103.04	78.56	82.44
Hong Kong (48)	117.57	−0.8	112.39	117.86	−0.8	4.79	118.54	113.79	118.82	140.33	86.41	104.69
Ireland (17)	159.00	+0.7	151.98	160.43	+0.1	2.76	157.93	151.60	160.27	166.69	125.00	138.74
Italy (97)	91.66	+0.4	87.61	85.67	+0.1	2.39	91.30	87.66	85.62	95.73	74.97	79.42
Japan (455)	178.41	−1.0	171.49	163.48	−1.4	0.49	181.18	173.92	165.78	200.11	164.22	165.79
Malaysia (36)	209.17	+0.2	199.94	217.06	+0.0	2.44	208.77	200.40	217.05	209.17	149.36	133.55
Mexico (13)	326.51	+0.3	312.20	930.23	+0.5	0.56	325.68	312.61	925.78	326.51	153.33	150.76
Netherland (43)	128.39	−0.4	122.73	126.18	−0.9	4.21	128.80	123.73	127.25	131.72	110.63	108.24
New Zealand (19)	79.35	−2.6	75.85	72.52	−2.7	4.83	81.50	78.23	73.78	88.18	62.64	72.55
Norway (24)	177.68	+0.2	169.75	169.63	−0.1	1.53	177.15	170.05	170.06	196.39	136.62	114.03
Singapore (26)	168.26	−0.2	160.84	152.80	−0.5	1.93	168.67	161.91	153.38	170.62	124.57	116.83
South Africa (60)	152.35	−2.4	145.63	128.57	−2.4	4.42	156.09	149.84	131.73	160.24	118.35	109.12
Spain (43)	162.21	+0.0	155.05	148.13	+0.0	3.50	161.76	155.28	148.18	169.75	143.14	145.29
Sweden (35)	182.75	+0.0	174.69	176.93	−0.3	1.94	182.76	175.44	177.42	188.94	138.45	126.33
Switzerland (64)	89.53	+0.3	85.58	92.83	+0.0	2.03	89.28	85.70	92.85	94.16	67.91	80.42
United Kingdom (306)	142.04	+1.2	135.78	135.78	+0.8	4.47	140.33	134.70	134.70	158.41	133.28	133.36
USA (547)	144.49	−0.4	138.10	144.48	−0.4	3.19	145.11	139.30	145.11	146.29	112.13	112.36
Europe (996)	126.73	+0.6	121.14	123.53	+0.2	3.39	125.94	120.89	123.53	132.96	112.63	109.61
Nordic (121)	167.98	+0.3	160.57	158.75	−0.1	1.79	167.54	160.83	158.98	178.38	137.95	118.18
Pacific Basin (669)	176.06	−1.0	168.30	160.50	−1.4	0.74	177.86	170.73	162.71	194.72	160.44	162.38
Euro−Pacific (1665)	156.45	−0.5	149.55	145.73	−0.8	1.61	157.19	150.89	146.96	166.98	141.56	141.29
North America (669)	144.89	−0.4	138.50	143.59	−0.4	3.10	145.49	139.66	144.13	146.68	112.79	112.93
Europe Ex. UK (690)	116.26	+0.2	111.13	116.29	−0.1	2.66	116.00	111.35	116.45	118.51	98.30	94.74
Pacific Ex. Japan (214)	135.72	−1.5	129.73	123.02	−0.8	4.59	137.72	132.20	124.07	140.05	111.93	121.25
World Ex. US (1860)	156.40	−0.5	149.50	145.31	−0.8	1.69	157.15	150.85	146.52	166.35	141.49	140.35
World Ex. UK (2101)	151.96	−0.6	145.25	145.87	−0.8	1.98	152.90	146.77	147.09	156.04	136.98	129.13
World Ex. So. Af. (2347)	151.04	−0.5	144.38	145.03	−0.7	2.18	151.74	145.65	145.02	155.92	136.67	129.61
World Ex. Japan (1952)	137.92	−0.1	131.84	135.73	−0.2	3.33	138.08	132.55	138.04	140.43	114.51	112.11
The World Index (2407)	151.05	−0.5	144.39	144.91	−0.7	2.10	151.75	145.67	145.92	155.89	136.88	129.49

Markets closed October 12: Malaysia and Spain.

JOBS

The crucial question employers never hear

By Michael Dixon

HOW MANY of you readers, I wonder, have taken part in a conversation somewhat as follows:

A: Did you get that job you were interviewed for?

B: No, I was turned down.

A: How d'you feel about it?

If most of you have, as I'd expect, has it ever struck you how influential B's answer to A's second question can be? No such thought had ever occurred to the Jobs column until it heard Richard Sherrard, recruitment and equal opportunities manager of Halifax Building Society, talk at a London conference held by the Institute for International Research the other day.

The topic was the changes required in recruiting techniques, particularly advertising, now that young people in Britain and several other countries are going to be in worsening short supply. And the general conclusion was that maintaining a competent workforce will depend not only on selling specific jobs more positively than they are sold today, but on marketing the entire employing organisation as a good one to work for.

Admittedly, that dictum is like "sin is bad" in that managers of all sorts would instantly agree with it. The trouble is that, in both respects, the great bulk of them go on sinning.

The people attending the conference were different. Since they depend for their living on effective recruiting, they personally want to put the dictum into practice for every type of job from the lowest-ranking upwards.

Acid test

Moreover, declared Tesco personnel chief Pat Lennon, companies needed to hearken to the employees' side of the employment market even if their managements disliked what it said. Regardless of a job ad's appeal to executives' aesthetic or other senses, the only test was whether it pulled in enough applicants of the right kind.

Mr Lennon's point was supported by Ian Harkness, marketing director of London Buses, in telling how his company had overcome an increasingly severe scarcity of drivers.

Market research showed that people who might be in line for the work often felt that, while not badly paid, it was just not worth doing. So the marketing and recruiting specialists suggested a TV commercial showing the grand prix star Nigel Mansell driving a London bus and finding the job demanding and absorbing (which, Mr Harkess assured us, he really did).

Whereupon almost everyone else in the company pooh poohed the idea as a mere gimmick. Union leaders, in particular, started using the term "a Mansell" to mean any costly scheme with no foreseeable benefit.

Sticking to their guns, the specialists aventually won the day. The commercial raised the intake of suitable trainees by 44 per cent. Unfortunately the TV crew undid some of the good work by forgetting to remove the fake bus stop used for the filming. People repeatedly queued at it on the Thames Embankment only to have every bus go flashing by them.

But, like myself, most in the audience did not twig how far the marketing effort needs to go until Mr Sherrard brought up the issue I raised at the beginning. He listed various things the Halifax had decided it must do to maintain an effective workforce in the competitive financial services business.

One of the most important was to ensure that its recruiters give an attractive impression of the company not only to the applicants they take on, but also to those whom they reject.

As so often, the reason is obvious once it has been pointed out. People talk with one another, and word of mouth recommendations have a powerful clout. What's more, in asking A's feelings about being turned down, B will usually be expecting a sour grapes answer. So if A replies "I'm sorry. I really would like to have worked there," the recommendation is likely to have a more favourable effect on the hearer than any advertisement, no matter how costly.

Ignorance

Alas, as some readers will know well, many recruiters seem ignorant of even the cash value of courtesy. Dr Clive Fletcher, a psychologist at the Goldsmiths' College of London University, told the conference he often hears scathing things said about organisations by students who have taken interviews. On investigation, the cause of the spreading ill report usually turns out to be some insensitivity on the part of the interviewer.

It seems daft that so many organisations' recruiters should be so inept, especially since research has shown that job offers are more likely to be accepted if the interviewer has had training. It seems even dafter when — in the case of graduates, at least — employers spend vast sums on wooing them with sumptuous brochures.

It seems yet dafter still in view of survey evidence that instead of consulting the brochures to decide which organisations to apply to, students tend to use them only to to mug up facts on ona they have already approached which has asked them for interview.

One conference speaker thought such typically heavyweight documents were a waste of money. He is Richard Wilding, a specialist adviser on the graduate jobs markets in Europe with Moxon, Dolphin and Kerby.

In his view, employers often compound the error of assuming that youngsters lacking higher education are unambitious as well as unfit for a demanding career, by wrongly assuming that degree students are precisely the opposite. He believed organisations should stop showering students with page upon glossy page of detail about their structures and longer-term promotion opportunities.

It would probably be more productive to concentrate only on the actual work the graduate recruits would be doing, in many cases for only a few months before finding a new job elsewhere. "Keep it short, pithy, punchy, and appeal to their guts instead of just their brains," Mr Wilding said. "Above all, make its main message come over as: 'Why stop enjoying yourself just because you have to start work?'"

Disagreed

Although he was nearer in age to students than were the great majority of his audience, many of them plainly disagreed. Perhaps that may not have been unconnected with the fact that some of the companies represented at the conference are involved in producing graduate-recruitment brochures of the heavy-weight type.

If so, they would seem to have forgotten Pat Lennon's advice about heeding what the market says even when it offends your ears. Although the Jobs column is farther from students in age than anyone else who was present, my belief is that the people who disagreed were wrong. For Richard Wilding's words largely confirmed what I have observed while writing about graduate recruitment these past 22 years.

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ACCOUNTANCY COLUMN

Easing the path through a mergers jungle

By David Waller

DO ACCOUNTING rules, and discrepancies between those rules, actually matter? Those whose job it is to philosophise on such issues tend to argue that, no they don't, especially in efficient stock markets. But businessmen who run companies — and corporate finance experts who advise them on buying and selling other companies — may beg to differ.

This conflict between academic theory and business practices emerges very clearly in a research paper written by Chris Higson at the London Business School. The document — as yet unpublished — looks at the intermeshing of accounting rules and business decision-making in the context of the UK's merger and acquisitions industry. It is highly topical for the UK's accounting profession in that the Accounting Standards Committee is in the process of rewriting the merger and acquisitions accounting rulebook.

The research points out that the weight of statistical evidence suggests that, yes, stock markets are efficient places where investors reach their decisions on the basis of a rational assessment of expected cash flows. Thus, different accounting treatments of similar economic events should be seen as no more than "random mutations of no consequence," however confusing they might appear to the layman.

However, the report recognises that businessmen, particularly ingenious finance directors and ambitious chief executives at the helm of acquisitive companies, are not rational.

They become obsessed with figures such as earnings per share (eps) and shareholders' funds which really ought to be no more than accounting barometers of a company's underlying performance or financial state.

Higson says: "Economic theory presently has no explanation for the apparent primacy given by managers to earnings per share and book net worth. From an 'efficient markets' perspective companies should not add value by achieving eps targets simply through accounting means, and a company's ability to borrow should be independent of changes in book net worth brought about by accounting means."

Yet Higson's research, which is based on 378 bids and deals between listed UK companies from 1976 to 1987 — virtually all the big takeovers that took place during the period — shows that managers do chop and change between accounting policies according to perceived presentational benefits.

Higson does recognise that balance sheet criteria — however meaningless in theory — are often used by bankers and are important in company law — thus giving managers the motivation for reinflating asset values in the wake of the massive goodwill write-offs which go hand in hand with acquisition accounting.

However, there is less of an excuse for "cherry-picking" in the context of accounting policies which impinge on earnings. Higson points to a host of companies — sadly unnamed — that make a spate of acquisitions, jumping from one accounting policy to another in line with whatever looks best in terms of earnings per share.

Thus one deal may be merger accounted, the next given the full acquisition treatment or a convenient combination of acquisition accounting and merger relief as allowed under company law.

Higson points out that many of the companies using acquisition accounting could have qualified for merger accounting.

Since 1985, 69 companies in the sample could have used merger accounting — but only 20 did so, while 44 used acquisition accounting in conjunction with merger relief.

Under this arrangement, the acquiring company gets the important benefit of merger accounting in that goodwill can be written off against the share premium account rather than earnings.

At the same time, the acquiring company enjoys all that acquisition accounting has to offer, too — setting up reorganisation provisions which can be trickled back into profits in years to come.

The main benefit of straightforward merger accounting is that no goodwill arises at all on a deal, however expensive it is, and that the acquiring company takes in all the profits of the company which it has just bought. The bigger the target company in relation to the acquirer, the more likely it was that companies would use merger accounting — as a small company would suddenly look that much bigger, both in the year of the transaction and in years before that, too.

Higson shies away from saying that deals are driven by accounting rules rather than business imperatives. Moreover, he does not investigate in any depth the charge that UK companies are given a competitive advantage over their rivals in tougher accounting regimes, in that acquisition accounting or merger relief allows them to shield their profit and loss accounts from the impact of goodwill.

Higson, as any good academic, subscribes to the perfect market view that all these shenanigans are basically irrelevant once a few clever analysts have made sense of the areas of accounting ambiguity. The report does, however, point to two reasons why market imperfections exist.

First, there is a lack of disclosure requirements, which makes it difficult for all but the sharpest brain to make head or tail of what is going on in an acquisitive company's accounts.

Higson acknowledges that analysts frequently complain, for example, that merger accounting makes it impossible to split out "organic" and acquired growth. His statistics show that only 44 per cent of the companies making deals between 1985 and 1987 explicitly disclosed both the fair value of assets bought and the price paid, the difference being goodwill.

Second, Higson argues that the multitude of choice open to UK companies is a bad thing in itself. He says: "Current accounting practice for mergers and acquisitions may damage the credibility of financial reporting. If users of accounts are to have confidence in accounting numbers, regulations which permit different treatments of apparently similar events may simply be unacceptable."

What is the accounting profession doing to iron out these problem areas? Higson has high praise for the Accounting Standards Committee's revisions to Statement of Standard Accounting Practice 22, requiring much greater disclosure on goodwill for deals taking place after January 1 this year.

Meanwhile, the ASC is working away at revisions to SSAP 23 on mergers and acquisitions. An exposure draft, due later this year, will limit management's choice between the different types of accounting, making it mandatory to apply merger accounting rules when certain circumstances apply.

This is tied in with plans to insist that goodwill should be recognised on the balance sheet and subsequently written off against profits.

For these measures to have any teeth — and Higson's criticisms to be addressed — the Dearing proposals need to be implemented urgently. It is a year since the new standards regime was first mooted and the Government should find a "facilitator" fast.

● *Further details of the report — which was researched with the help of the Institute of Chartered Accountants in England and Wales — are available from Chris Higson at the London Business School, Sussex Place, Regents Park, London NW1 4SA.*

ACCOUNTANCY APPOINTMENTS

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Candidates should be graduate chartered accountants with approximately five years post-qualifying experience, much of which should have been in financial services. They should have a track record of achievement in a sophisticated systems environment and should have the flexibility to operate harmoniously within the culture of the overseas parent. This Group will continue to expand dynamically both in the UK and in Europe, leading to exciting prospects of development for the right person.

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For further details, please contact Andrew Livesey, our advising consultant, on 01 404 3155. Alternatively, write to him at Alderwick Peachell & Partners, Financial and Accountancy Recruitment, 125 High Holborn, London WC1V 6QA. Fax:01 404 0140.

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S.A. Lievens, Hoggett Bowers plc, *St. James's Court, 30 Brown Street,*
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BDO Binder Hamlyn Management Consultants 8 St. Bride Street, London EC4A 4DA

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Please send full personal and career details in confidence to Mark Spickett, Executive Selection Group, Deloitte Haskins & Sells, PO Box 198, 26 Old Bailey, London EC4M 7PL, quoting reference 5318/ FT on both envelope and letter.

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Interested applicants should contact Nick Maher oo 041-331 2597 or write to him at Michael Page Finance, 150 West George Street, Glasgow G2 2HG.

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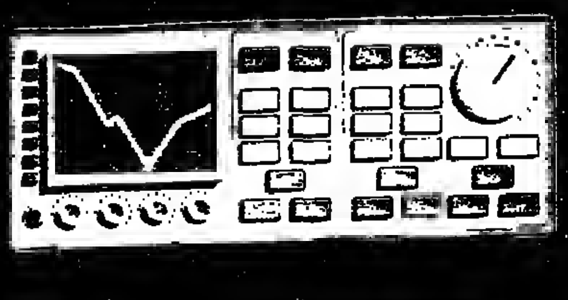

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You must be able to demonstrate proven ability in handling a large and diverse caseload, acting both incisively and decisively. Excellent interpersonal skills are essential to communicate authoritatively at the highest levels.

The attractive salary and benefits package available to suitable candidates reflects the importance of these senior positions, and the calibre of individuals we require.

Please write with career details to Tim Hayward, Peat Marwick McLintock, 1 Puddle Dock, London EC4V 3PD. Telephone 01-236 8000.

KPMG Peat Marwick McLintock

European Controller

TO £45,000 + CAR

This multi-divisional subsidiary of a diversified US high technology company is seeking a graduate qualified accountant with international experience to organise, develop and manage their financial and administrative functions across Europe.

This person will assume full responsibility for, on a Pan-European scale, overall expense controls, financial reporting and analysis, management reporting and budgeting, whilst ensuring the provision of accurate information on a timely basis into the field and to Corporate US Headquarters. The position will also require the development of micro-based systems and the extension of worldwide accounting and reporting packages; compliance with SEC and local statutory requirements, and management of the European treasury and tax situation.

American corporate exposure and experience in applying creative, practical solutions to ongoing and developing issues in a multi-country situation are essential. The position is located in the M4 corridor and will involve some international travel of short stay duration.

Please send résumé, including details of present remuneration and giving a daytime telephone number to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, 9 Greyfriars Road, Reading RG1 1JG. Telephone 0734 607764 quoting reference AE802.

Executive Resourcing
Coopers & Lybrand

SENIOR TAX PROFESSIONAL

Central London

Our client is looking for a senior tax professional who is experienced in financial planning and solving complex personal tax problems. If you fit this description, now is the time to consider moving to a leading specialist consultancy.

With an emphasis on taxation, your aim will be to develop the personal financial planning service to high net worth clients and senior corporate executives, using selective marketing as well as building on existing contacts.

At least six years' relevant experience, possibly gained in an accountancy or legal firm or with a bank, insurance company or stockbrokers, will have developed your technical and entrepreneurial skills to the highest level. The prospect of a senior position with a successful and expanding organisation should meet your present career aspirations.

The salary will be commensurate with your experience and potential and will be enhanced by a range of other benefits, including a car.

Your first step is to write, in confidence, enclosing your cv, to Steve Garlick, Director, CRS 568, Lockyer, Bradshaw & Wilson Limited, 39-41 Parker Street, London WC2B 5LH.

Please provide us with the names of any organisations to which your application should not be sent.

LBW
LOCKYER, BRADSHAW & WILSON LIMITED

FINANCIAL CONTROLLER

Expanding Legal Partnership

£35,000 - £40,000

Central London

Our Client is a highly regarded commercial solicitors' practice. They have developed an excellent reputation in the field of insolvency law which has resulted in steady growth and the establishment of 5 regional offices. In order to support this growth a qualified Accountant is required to fill a Number Ona rola.

Reporting to tha Partnership Finance Committee and responsible for 10 staff, the role will ancompass the maintenance of tight financial controls, production of regular management accounts, budgets and forecasts. You will also be involved in cash flow and credit control, tax computations and the development of management information systems. The firm's computerised accounting system is currently being upgraded and one of the Financial Controller's initial key tasks will be to develop this system to meet the practice's requirements.

The successful candidate will be a qualified Accountant (aged over 30), and although experience gained within a firm of solicitors would be an advantage, maturity, the ability to take responsibility and an innovative approach are of prime importance.

Pleasa apply directly to Jana Prior at Robert Half, Freepost, Walter House, Badford Street, 418 The Strand, London WC2R 08R. Telephone 01-836 3545 or evenings on 01-546 5657. Alternatively, fax your details on 01-836 4942.

Financial Recruitment Specialists
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ROBERT HALF
LONDON

"...with a sharp eye for variances"

Financial Controller

Automotive Components

Yorkshire : salary indicater £22,000 + benefits

Our client - a member of a multi-national group - is a recognised market leader within its specialised sector of the automotive industry. This is a dynamic, results oriented environment underpinned by a continuing programme of investment in the latest in manufacturing technology.

As a member of the senior management team, your responsibilities will be wide ranging and will include the implementation of progressive reporting systems to provide clearly focused information on current manufacturing performance; thus you will make a major contribution to the general management of the business.

As a qualified Cost Accountant you will have a minimum of five years' experience in a profit accountable, manufacturing environment. The ability to analyse and interpret cost and profit variances is the key requirement.

Salary for discussion as indicated; the comprehensive benefits package includes assistance with relocation expenses, where appropriate.

Please write - in confidence - with full details. A. L. Brown, Ref. 62189, MSL International (UK) Limited, Ebor Court, Westgate, Leeds LS1 4ND.

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APPOINTMENTS WANTED

REQUIRED
for Nairobi, Kenya
Financial Controller
Salary Neg + Benefits
Write Box A1357, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Professional Accountant (45)
(FCA, FCMA, M.Com, NAA.) Extensive experience in financial management, costing, management accounting, computerised accounting systems. World Bank projects in Africa and Caribbeans available. Work permit required.
Box A1356, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Divisional Finance Director

Midlands **c£40,000 + Car**

Our client is a major British industrial group. The Midlands based capital equipment manufacturing division, with a turnover of approximately £150m, is growing rapidly on an International basis.

The Finance Director will have responsibility to the Managing Director for the total financial management of all companies within the Division. In addition to the normal responsibilities associated with an appointment at this level, the successful applicant will be expected to make a major contribution to the commercial strategy of the business, with particular emphasis on acquisition appraisal and integration. A degree of international travel is envisaged.

Candidates should be qualified accountants, aged 35-45, who can demonstrate a consistent track record of achievement in a manufacturing environment, with specific reference to the management of change. Strong communication skills and highly developed commercial awareness, together with the personal presence required to make an impact at executive level, are prerequisites of the appointment.

Interested applicants should forward a comprehensive cv, quoting ref: 6981, to Alan Dickinson ACMA, Executive Division, Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST. Tel: 021-643 6255.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance At The Sharp End

Divisional Finance Director

East Midlands **Salary and Bonus c£40,000 + Car**

Following a management buy-out earlier this year this highly successful and progressive £300 million turnover group is already the market leader in its specialised area of manufacturing. The group is now entering a major period of growth to capitalise on its reputation, production expertise, and aggressive, commercial style and continues to strengthen its divisional management teams.

One of the group's main divisions with a turnover approaching £30 million through four operating sites, is seeking to appoint a Divisional Finance Director.

Reporting to the Chief Executive you will have the dual responsibility of being Finance Director for one of the operating companies, as well as for the whole division. Whilst you will have functional responsibility for the operating company Finance Director and a direct staff of 15, the main thrust of the role is one of rapid, decisive, commercial input towards generating business growth and profitability in a rapidly changing and highly demanding environment.

You will be a qualified accountant (ACMA, ACA, ACCA) probably aged 35-42, and you will have already proven yourself in a fast moving manufacturing environment where commercial acumen, energy and a no-nonsense, shirt-sleeves approach is necessary.

Please write, enclosing full career and current salary details, to Wayne Thomas, Executive Division, Michael Page Finance, Imperial Buildings, 20 Victoria Street, Nottingham NG1 2EX.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

AgipUK

JOINT VENTURE ACCOUNTING SUPERVISOR
VICTORIA

Our client, AGIP (UK) Ltd, a market leader in the highly competitive industry of oil and gas exploration seek a motivated and committed person to join their London based division as a Joint Venture Accounting Supervisor.

The successful applicant will possess a minimum of five years experience within the oil industry, with at least three years spent in joint venture accounting, be fully computer literate and enjoy working in a team environment.

Salary would be by negotiation, according to experience, and an extensive benefits package is also included.

For further information contact:
Accountancy Personnel
307-308 High Holborn
London
WC1V 7LR 01-404 4561

LEADING TECHNOLOGY

COMPANY ACCOUNTANT

SW1 **c£25,000**

An excellent opportunity now exists with this rapidly expanding £multi-million computer company for a qualified/part qualified accountant. Assisting the financial controller, the successful applicant will take responsibility for the preparation of monthly financial/management accounts and be involved in all matters relating to the accounts department and other ad hoc projects. Applicants should be computer literate with sound hands on accounting experience, self motivated, confident, able to work under pressure & have the desire to work within a fast growing company. Excellent benefits are offered.

For further information contact:
Accountancy Personnel
43 Brompton Road
Knightsbridge London
SW3 1DE 01-581 5021

CONFIDENTIAL

FINANCE MANAGER
WELL ABOVE AVERAGE?
c£28,000

Our client, a successful and developing semi-autonomous part of a global operation seeks a "hands-on" Qualified Accountant who can offer:

* Technical Ability * Computer Literacy * Managerial and Interpersonal Skills
* Commercial Acumen and Entrepreneurial Flair *

You are ideally approaching your thirties, capable of maintaining tight control and able to make quick profit maximising decisions.

In addition to involvement in the day to day running of the department you will enjoy responsibility for the development of systems and strategies, the opportunity to develop into the role of Financial Controller and the chance to have real influence and make things happen.

For further information contact:
Accountancy Personnel
43 West Street
Reading Berkshire
RG1 1AT (0734) 591751

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PRODUCT MANAGEMENT AND DEVELOPMENT FOR THE PREMIER GLOBAL CUSTODIAN

Age range 25-35 **Excellent Salary and Banking Benefits**

The Chase Manhattan Bank developed the Global Custody service in the early 70's and has consistently been the market leader and quality service provider in this fast developing and growing market.

Vital to Global Custody's continued success is a multi-disciplinary team which focuses on product management and development. These ten professionals are responsible for managing the future direction and growth of the business. This ranges from analysing market opportunities to developing new revenue generating products for our institutional client base.

Strong growth and the need to provide more sophisticated services has led to an opportunity for two professionals to join the London based team.

DEVELOPMENT OF LIQUID ASSET AND EXPOSURE MANAGEMENT SERVICES.

As greater attention is placed on foreign currency exposure and enhancing returns from all asset classes, the development of products to meet clients' needs will be a critical value added feature of Chase's service.

Candidates will require a thorough knowledge of money market and foreign exchange instruments, preferably gained in a corporate treasury environment.

NEW PRODUCT DEVELOPMENT ROLE.

A classic product development position which involves market research, evaluation, development and launching new services which will be based on our core securities handling business.

Candidates must be graduates and will preferably have exposure to institutional banking products and the securities industry.

However with both positions the most important criteria for selection will be individual calibre and proof of achievement. Excellent career prospects, and a generous salary and benefits package including mortgage subsidy, car, and a performance related bonus will be available to the right individuals.

If you can draw on any of these experience elements or think that your expertise in other areas could equip you to make this challenging move, please telephone Bianca Coulter on 01-437 0464 or write, enclosing a curriculum vitae to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

CHASE

Management Accountant

City £30-£35K + Car & banking benefits

Our client is a highly successful subsidiary of a major international financial institution. As one of the leaders in their field they have had an impressive record of growth in recent years.

This position is a deputy to the Financial Controller with specific responsibilities for management information systems. As part of a *professional team you will be expected to take a proactive role liaising* closely with senior management throughout the organisation.

Specific requirements of the position include thorough knowledge of computerised accounting systems within the securities industry, together with line management skills. You will be a qualified accountant with a *minimum of 3 years post-qualification experience.*

Career opportunities are excellent; the salary is negotiable around the figure indicated and is accompanied by a benefits package which includes a subsidised mortgage, annual bonus, non-contributory pension and health cover.

Please send a detailed CV to Michael Swaine at the address below, stating clearly any companies to which your CV should not be forwarded, as *replies will be sent direct to our client for consideration.*

B&B
Benton & Bowles Selection
197 Knightsbridge, London SW7 1RP.

CORPORATE AUDIT

A Springboard to Financial Management

Package circa £30,000 + car + other benefits

Our client, based in South-East England, is one of the country's outstanding providers of Insurance and Financial Services.

To keep pace with unprecedented business growth and recent promotions out of the Department, Corporate Audit has a need for three qualified accountants to join its highly professional and expanding team.

Senior Corporate Auditors' activities extend well beyond classic audit roles — with input into the strategic development of audit operations within this major Group.

International assignments of short duration, or exchanges of 1-2 years are possible to subsidiaries in Europe, USA and Australia.

Special project work is as varied and exciting as any on offer within the profession or similar consulting environment.

The Corporate Audit Group encourages job flexibility and self accountability — within a culture which is committed to training and career development. Audit has for sometime provided a natural conduit to senior line financial management and will continue to do so.

If your skills and experience include substantial audit and investigative work and you are attracted by this kind of challenge, please send your CV or contact Lesley Harding, as adviser to the Company, for further information.

ZEALAND JAMES & COMPANY
17 Thame Park Road,
Thame, Oxon, OX9 3XD.
Tel: 0844 261200
Fax: 0844 261690

Hanson PLC
Financial Comptroller

Hanson PLC requires an ambitious Financial Comptroller to join its small central management team based in London.

Hanson PLC is one of the foremost growth companies of the last two decades and is committed to a continuation of this growth both organically and by acquisition in the UK and the USA where half the group's businesses are located.

Many of the senior management positions in the group have been filled in the past from members of the central team and the position therefore offers enormous scope for an ambitious and energetic accountant.

The successful applicant, male or female, will be a chartered accountant, 30-35 with a good academic background and progressive experience in practice and industry.

A substantial salary will be paid and generous fringe benefits,including car, are available.

Applications should be made to:
The Financial Director, Hanson PLC,
1 Grosvenor Place, London SW1X 7JH

Appointments Advertising

For further information

call 01-873 3000

Deirdre McCarthy
ext 4177

Elizabeth Arthur
ext 3694

Nicholas Baker
ext 3351

Group Financial Controller

London based plc **£34,000 plus car**

This position is tailor-made for an ambitious individual looking for a broad and responsible role as the senior financial manager in a smaller plc. The environment is characterised by a practical, no-nonsense approach and a positive and imaginative contribution to the management and the success of the Company will be expected.

Our client is a long established, internationally orientated British electronics manufacturing company, market leader in its field in its core product area. Over 60% of output is exported principally to Europe and the USA and they have a significant R&D commitment to ensure their continued product leadership.

The Group Financial Controller reports directly to the MD. There is a small HQ department and functional control of the finance staff in manufacturing (including in the Far East) and R&D. Key roles include cash and debt control, foreign exchange, information systems, stock control and the overall preparation of the annual accounts.

Candidates should be qualified accountants (preferably ACA), aged 27-34, with experience of working in a plc with manufacturing - preferably multi-site and international operations.

Please send a full CV in strict confidence to:
Philip Plumbley,
Plumbley/Endicott & Associates Ltd,
The Lodge, Trinity Gardens,
9 Bromham Road,
Bedford MK40 2BP.

International Accountant

Amsterdam

Attractive Package

Our client is an expanding international company and a market leader in the vehicle rental and leasing industries. From their Amsterdam Head Office, they operate seventy-five locations in ten countries throughout Europe.

As part of this head office group, they wish to recruit an International Accountant who will form part of the Senior Management Team. Reporting to the Chief Accountant, principal tasks will be:

- preparation of statutory accounts and reports for the Group
- monthly reporting for the Group Board on business unit performance
- pre and post acquisition reviews and the integration of new companies within the Group reporting structure
- further development of the Group accounting and reporting function
- assistance in the development of Group tax planning.

A qualified accountant, aged 25-35 years, the successful candidate will have previous experience in an international company or audit firm including first-hand knowledge of the statutory reporting requirements. A working knowledge of European languages and PC spreadsheets would be advantageous. Personal attributes should include creativity, initiative and a sense of humour.

In return, our client offers an attractive salary package and excellent career prospects.

Interested candidates should contact Eera Corts on 010 31 20 26 67 76 or send a full curriculum vitae to her at Michael Page International, Amstel 344, 1017 AS Amsterdam, The Netherlands, quoting reference EC/108.

MP

Michael Page International

Financial Recruitment Specialists

London Amsterdam Eindhoven Brussels Antwerp Paris Lyon Sydney Melbourne

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International Civil Engineering

Divisional Financial Controller

West London

c. £35,000 + car and excellent benefits

Our client is the International and Civil Engineering Division of George Wimpey PLC. Active in both the UK and overseas, the Division undertakes complex, large scale, long term contracts.

The Financial Controller will be responsible to the Divisional Director for the financial management of all aspects of the civil engineering business. Particular emphasis will be placed on supporting operational management with relevant and timely information. Other duties will include the co-ordination of accounting and reporting for numerous remote sites. Financial planning activities and project appraisal for the Division will be major responsibilities.

Candidates must be Qualified Accountants, experienced in complex multi-site, multi-currency businesses. Experience in the construction industry and of major projects would be a distinct advantage.

Please reply in strict confidence with details of career and salary progression, age, education and qualifications to Charles Vallee, Executive Selection Group, Deloitte Haskins & Sells, P.O. Box 198, 26 Old Bailey, London EC4M 7PL, quoting reference 5310/FT on both envelope and letter.

Deloitte Haskins+Sells

EXECUTIVE SELECTION

CONTROLLER – OPERATIONS DIVISION

UNITED DISTILLERS

The Spirits Company of Guinness PLC

to £30,000 + Car

United Distillers, the spirits company of Guinness Plc, is a major world consumer goods company, and one of the largest UK exporters. Operations Division manages the services required by the Group's Regional Sales and Marketing Divisions and covers Production, Distribution and Export Services. Due to continued development and internal promotion, there is now an urgent requirement for a high calibre individual to make an effective contribution to the next stages of the development of the Operations Division.

As part of a small team, you will work with operating company management to identify ways to improve cash, profit service and quality performance, and assist management to develop their plans to deliver the improvements. You will be responsible for monitoring, evaluating and reviewing performance against budgets and plans that you have jointly reviewed and recommended.

Aged 26-30, you should have gained broad experience in a rapidly changing environment. You should wish to apply an MBA and/or good science degree commercially and practically. Enterprise and numeracy are assumed. You will also require an easy personal rapport, and flexibility to travel to Scotland to work with line management.

Interested applicants should telephone Giles Daubeney on 01 437 0464, or write to him, enclosing brief details, at the address below.

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS

Queens House 1 Leicester Place London WC2H 7BP

Telephone: 01-437 0464

Group Financial Director

from £40k plus expensed executive car

North Cotswolds

This Company is a £150m private business recently bought from a major plc with 10 operating subsidiaries in four continents.

The Financial Director will be responsible to the Chairman for the full range of financial activities including the Group Treasury function and active involvement with Finance Directors of the subsidiary companies.

An operational background combined with sound technical expertise is required.

The environment is challenging and will require full commitment. The opportunity to influence the future of the business is real. Personal rewards will include a substantial profit sharing opportunity.

Please send a CV to Andy Winser at Austin Knight Selection, Kings House, Bond Street, Bristol BS1 3AE, or alternatively telephone him on (0272) 221891 (daytime) or (0272) 243005 (out of hours). Please quote reference no. S/607.

Austin Knight

Without doubt, an outstanding opportunity at the launch of an exciting management buyout.

Finance Controller

Midlands based — £25-30,000+bonus +car

Rarely does an opportunity present itself for a young qualified accounting professional to head up the finance function of a major new force in specialist high street retailing at the beginning of a dramatic period of projected growth and expansion. As they cease to use the accounting resources of the parent company, our client is looking to appoint a qualified accountant who is capable of setting up a totally new accounts department.

Aged 30-45, with strong technical skills, you must be highly motivated with a pro-active shirt sleeves approach and have the flexibility to effectively manage a start up situation. You must be fully conversant with computerised accounting procedures and be capable of overseeing the implementation of suitable systems to produce fast and accurate financial and management accounts.

Ideally you will be currently working within a fast moving multi- site retail environment, but those individuals who have gained experience of running small accounts departments within pressurised service industry or entrepreneurial environments, will definitely be considered.

The financial package includes a high basic, the usual benefits, a profit related bonus scheme and relocation where appropriate. *As a key member of the senior management team, you will be eligible to equity participation after a qualifying period.*

For further information, please send a detailed resume to **Neil Hadfield** at **Talisman Accountancy, Dorland House, 14-16 Regent Street, London SW1Y 4PH. Tel: 01-925 0848.** All applications will be treated in the strictest confidence.

TALISMAN *Accountancy*

A DIVISION OF THE TALISMAN GROUP OF COMPANIES LTD

Finance Director

North West — £35,000 Package + Car + Benefits

Our client is a well established, profitable manufacturer of a range of products for industry, commerce and retailing, with a customer base which includes many blue-chip companies and major high street names. It is a major, but autonomous, subsidiary of a highly acquisitive plc, expanding rapidly in both our client's sector and related industries.

Reporting to the Managing Director, the post will be responsible for the full range of financial and company secretarial activities, including information technology. Key tasks will be to improve management accounting and costing systems, enhance strategic planning processes and provide financial leadership and advice to the board.

Candidates must be qualified accountants with a broad experience in manufacturing, preferably with previous commercial or general management exposure. Communication and inter-personal skills are vital, together with an analytical, target-oriented approach to business development.

Salary is negotiable and the package includes realistic bonus opportunities, fully expensed quality car, health insurance and share options in the parent company, where there is significant scope for career growth.

Please reply in confidence with full career, personal and salary details, quoting reference R184 to Derran Sewell, Ernst & Young Search and Selection, Commercial Union House, Albert Square, Manchester M2 6LP.

SEARCH AND SELECTION

Ernst & Young

MANAGEMENT ACCOUNTANT (FINANCIAL CONTROLLER DESIGNATE)

S W SURREY — **c330,000 + CAR + BENEFITS**

Our client is a highly successful business in marketing and publishing. In the last three years it has diversified its activities by exploiting a niche in the market, and is currently undergoing a period of rapid growth and increased market penetration, both in the UK and North America. Turnover is *approaching £20 million.*

Reporting to the Financial Director, this is a high profile role within the organisation, with early promotion for the candidate able to prove himself/herself quickly. The appointee will manage an Accounts team of eight staff and be responsible for the timely and effective provision of key information to the senior management team. There will be significant input into analysing and improving profitability, budgets, forecasts and the development of the computerised accounting system.

The position calls for a qualified ACMA/ACCA/ACA aged 30 - 39, a team player with sound commercial awareness and proven commercial accounting experience gained preferably in both large and small company environments. Good interpersonal and communication skills are also essential.

Candidates seeking further information on this exceptional opportunity should telephone Jane Ross on 0483 740810, or write to her at Templeton Pijnacker, Helford House, Hook Heath Road, Woking, Surrey GU22 0QE. Fax 04862 70729.

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FINANCIAL RECRUITMENT CONSULTANTS

APPOINTMENTS WANTED

ACCOUNTING CONSULTANT/ PROBLEM SOLVER AVAILABLE

Just finishing latest project and now ready for short or long term accounting assignments, top class accountant with over 20 years varied experience. Excellent recommendations and a successful achiever and motivator up to the highest level.

Please contact:
Mr David Paton, 2nd Floor, Wells House, 77-79 Wells Street, London W1
Telephone: (01) 580 5522

Appointments Advertising

For further information

call 01-873 3000

Deirdre McCarthy ext 4177

Elizabeth Arthur ext 3694

Nicholas Baker ext 3351

GROUP ACCOUNTS MANAGER

Milton Keynes

c.£28,000 plus fully-expensed Mercedes-Benz car plus benefits

Mercedes-Benz (UK) Limited is a leading importer of passenger cars and commercial vehicles in the United Kingdom.

We have a vacancy for a high-calibre qualified Accountant to manage our Management and Financial accounting teams. Your responsibilities will include maintaining the Company's accounting records; preparing Management Reports; liquidity planning/forecasting and the control of tangible assets.

Working in a highly professional environment, you will be responsible for eleven staff, and there will be considerable contact with senior operational Managers. You will require technical excellence, commercial understanding and will also be expected to make a major contribution to the development of the part-qualified accountants reporting to you.

You will have a minimum of 3-4 years' experience in a supervisory position within a large organisation, where you should have gained exposure to micro-computers.

The career prospects are excellent and the attractive remuneration package is accompanied by a range of benefits including a fully-expensed Mercedes-Benz car, life assurance, contributory pension scheme, discounted BUPA and relocation assistance where appropriate.

For an application form please telephone Mrs K Thompson, Personnel Department, on (0908) 668899 ext 2486, or send your C.V. to her at Mercedes-Benz (UK) Limited, Tongwell, Milton Keynes MK15 8BA.

MERCEDES-BENZ

INTERNAL AUDIT-QUALIFIED

£22K NEG + EXCELLENT PERKS Age 25-35, must be prepared to travel 75% of time. Excellent promotional prospects. Will probably have "Big 8" background.

Please call Lorraine Barker 01 583 1661

ANGEL INTERNATIONAL RECRUITMENT

QUALIFIED ACCOUNTANT C.£40,00 PACKAGE AND CAR

Preferably with experience in electronics or similar sector required for German subsidiary of major U.K. company.

Enquiries and c.v. to:

Jonathan Welfare, Oxford Executive Search, 213 Woodstock Road, Oxford OX2 7AD

Professional Body
FINANCE & ADMINISTRATION MANAGER

Central London **To £30,000**

Established in 1980, our client, the Association of Accounting Technicians, is enhancing its reputation as a leading professional body, reflected by a sustained growth rate of some 15% pa., consisting of over 14,000 members and 37,000 students world-wide.

As Head of the Finance and Administration Division, the appointee will operate as one of the four Assistant Secretaries making up the senior management team, each reporting directly to the Association's Secretary.

An experienced qualified Accountant is sought who, through a staff of eleven, will control all financial and management accounting, computing and other internal functions including property and personnel matters. Accounting records are currently being transferred to a fully integrated computer with linked micros and terminals.

For further information telephone 01-833 3291 or write with a full C.V. to Anthony Payne:

CHARTAC Recruitment Services

Chartac Recruitment Services
The Institute of Chartered Accountants in England & Wales, 40 Bernard Street, London WC1N 1LD.

FEDERAL EXPRESS

Finance Manager

North London/ Northern Home Counties

To £30,000 Package

Faderal Express Rapid Despatch is part of tha US Faderal Express Corporation which is tha world leader in axpress package movement services. Rapid Despatch is a recently acquired company that has an axcellent reputation for offaring the highest quality of service in the fast expanding UK sama day delivery market.

Due to the continued expansion of the husiness they now seek to recruit a finance professional of tha highest calibre to guide tha company through this exciting phase of the development by implamenting and managing all controls in a fast moving environmant.

Preferably aged 28-36 you will be a qualified accountant ideally cbartered with at least three years experience in a senior finance role. It is essentlal that you have wall daveloped personal skills, *are commercially aware* and can adopt a flexible hands on approach. The vary attractiva range of benefits includes an executive car, non-contrihutory pension. PPP and relocation assistance where appropriate. Prospects for caraar advancemant are excellent.

Male or femala candidates should submit in confidence a comprehensive c.v. or talephone for a Personal History Form to, *G.J. Deakin*, Hoggett Bowers plc, *13 Fredarick Road, Edgbaston, BIRMINGHAM, B15 1JD, 021-455 7575, Fax: 021-454 2338, quoting Ref: B18110/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

CHIEF ACCOUNTANT

Phase IV Systems Ltd **Specialist Computer Peripherals**

Flexible Package - c £24,000 + Car + Benefits **Oxford**

This private group established in 1987 has experienced exceptional revenue & profitability growth and now wishes to appoint a Chief Accountant to its principal Company. The successful applicant should have the abilities and determination to grow within the Company/Group into more senior roles.

The position is wide ranging (almost to the point of being unreasonable!) in a very fast moving environment. You will need to make decisions rapidly and work effectively in roles spanning shirt-sleeves transaction processing to budgeting/forecasting, reporting & financial control and extending to Professional and Shareholder relationships.

The role will require you to take responsibility for the accounting staff and most of the Company's financial areas. After the initial period and responsibilities will become largely autonomous, with the successful applicant reporting to the Financial Director and the Shareholders. As these details imply, this position will require a high level of dedication and commitment in return for the competitive remuneration, an excellent environment and unusually high job satisfaction.

Please write in confidence, enclosing career details to Robin Smith, Finance Director, Phase IV Systems Ltd, Unit 6, Oxford Business Centre, Osney Lane, Oxford OX1 1TB

ASSOCIATE DIRECTOR

Property Sector

City

to £40,000 + bonus, car, benefits

The client is one of Britain's leading property surveying practices with an expanding autonomous Financial Services company. Success in this new appointment will be achieved by the individual with a broad financial background gained in a bank, pension fund, institution or property company. Key responsibilities will be to offer specialist financial advice on diverse property matters to the corporate sector including for example searches for and valuing companies, mergers and acquisitions advice, financial engineering and general strategy formulation.

Candidates aged 27-35 and educated to degree level with ideally a professional qualification should have top communicating skills, initiative and an analytical approach. This dynamic firm offers excellent career prospects and the position includes a full range of benefits.

Applicants should send, in complete confidence, a detailed CV quoting reference 939/FT to L Green.

KAY CONSULTANCY GROUP

Kay Consultancy Group,
1 New Bond Street, London W1Y 9PE
Telephone: 01-493 7232

Surridge Dawson Ltd

FINANCE DIRECTOR DESIGNATE

Age 30/40 — Croydon — £35,000/£40,000 plus car

Surridge Dawson is the UK's third largest wholesaler of newspapers and magazines. Annual turnover is £150 million. Our Company intends to increase market share through acquisition and organic growth.

Our present Finance Director retires in 1990. His successor will initially be required to drive investigations into potential acquisitions, management information systems and computer procurement policy.

Upon appointment to the Board next year, the successful candidate will also assume responsibility for the planning, finance and computer functions.

Applicants must be qualified Accountants, aged between 30 and 40, preferably MBAs or graduates. A key requirement is the ability to institute and manage change. You should also possess motivational and communicative skills, together with a practical and commercial mind.

Please send your C.V., including current salary and daytime telephone number, to John Redington, Managing Director.

Surridge Dawson Ltd
6th Floor, A.M.P. House, Dingwall Road,
Croydon CR0 9XA
Telephone: 01-680 9500

SD

RISK MONITORING

ACA/ACCA

AGE: 26-30 c : 30k

James Capel & Co. Limited is a leading UK Securities House of international repute. The Risk Monitoring Department is responsible for the provision of certain management information and the analysis of the Group's principal trading activities. We are now recruiting an individual to be a senior member of this small high profile team which reports directly to the Deputy Chairman. In particular, the successful applicant will be responsible for the interpretation and monitoring of risk positions across a wide variety of markets involving close liaison with Directors and senior dealing staff.

Applicants should be ACA or ACCA qualified and possess at least two years' post-qualification experience. Ideally, candidates will possess a background in the Securities Industry and a desire to move from accounting to a management orientated role. Good communication, organisational and interpersonal skills are essential plus the ability to work in a rapidly developing environment.

To apply, please write to Derek Joseph, Senior Personnel Officer, James Capel & Co. Limited, James Capel House, PO Box 551, 6 Bevis Marks, London EC3A 7JQ.

James Capel
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Member of T.S.A., The Stock Exchange and the A.F.B.D.
member: Hongkong Bank group

FINANCE DIRECTOR

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As a highly successful market leader in the leisure industry, this £20m division of an acquisitive plc now has aggressive plans for further growth in Europe and America. Profitability is excellent, providing a first class opportunity for professionally qualified accountants looking to move to a broader commercially-edged role within a fast paced environment.

In addition to the day-to-day financial management of the division's companies and international subsidiaries, the successful candidate will co-ordinate strategic planning and budgeting activity, and control all operational aspects of acquisition studies. He or she will, through a staff of 10, be the focal point for all management reporting and systems development.

Applicants should therefore be accountants aged 28 to 40 who must possess high technical competence coupled with strong managerial and influencing skills. Experience should include hands-on financial control of international operations and some exposure to acquisition projects. The excellent salary indicated includes negotiable base salary to £35,000 plus a company performance related bonus, together with a full range of executive benefits.

Interested applicants (male or female) should send a detailed CV or ring for an application form on 0625 533364 (24 hours) quoting reference 1560/FT.

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Financial Director (Designate)

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Our young fast-growing Client, is a leading public company in the professional services sector, with branches throughout the UK. They are currently in the process of expanding into Europe, in preparation for 1992. The company's growth has been both organic and by acquisition, and they have ambitious plans for the future.

As a direct result of their rapid growth, the company has identified the need for a Financial Director (Designate). Initially, the successful applicant will take charge of the Group Service company, and will need to adopt a "shirt-sleeves" approach in order to review and restructure their financial systems. The successful candidate will also play a leading part in the implementation of the new computer system, and must possess the ability to look towards the future.

Ideally, candidates should be qualified accountants, aged between 28-35, with at least two years commercial experience in a managerial capacity. Strong leadership and motivatory skills are essential prerequisites.

This role will develop in line with the anticipated growth of the company, and a Board position is envisaged within the year.

Interested candidates who meet the above criteria should send a comprehensive curriculum vitae including current salary and a daytime telephone number quoting reference number LM570 to Carol Jardine, Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

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A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS

PORTFOLIO

DLA

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▲ COMMERCIAL ROLE
▲ PROSPECTS TO BOARD
▲ RECENTLY QUALIFIED

This corporate and business communications arm of a major advertising agency seeks a Financial Controller. This key appointment will suit a commercial person with an entrepreneurial approach who will be on line for a board appointment within 3 years.

Contact **Mark Jones** on 01-836 9501.

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▲ HIGH GROWTH
▲ ACQUISITIVE

Shell company requires bright ACA to head up finance function for group and play key role in directing expansion. You should be aged c. 30 with several years line management experience in commerce and a sense of adventure. An exceptional opportunity to develop a business from its beginning.

Contact **Pippa Curtis** on 01-836 9501.

LEISURE

FINANCIAL CONTROLLER
London **£30,000 + car**

▲ BLUE CHIP
▲ TREMENDOUS PROSPECTS

This major diverse entertainments group seeks a young Financial Controller. The incumbent will be an ACA with excellent academic and track record from a major public practice firm. The position, which has arisen following a promotion, will entail the incumbent being involved with group accounting and interesting project work, including acquisition investigations.

Contact **Liz Osborne** on 01-836 9501.

MEDIA SERVICES GROUP

UK FINANCIAL CONTROLLER
c. £28,000 + car

▲ COMMERCIAL INPUT
▲ PHENOMENAL GROWTH RECORD
▲ NEWLY QUALIFIED ACAs

Highly successful media services group seek newly qualified ACA with commercial flair. Outstanding opportunity for an individual seeking first move into industry. Prospects to Finance Director of group subsidiary company.

Contact **Peter Green** on 01-836 9501.

BLUE CHIP GROUP

PROJECT ACCOUNTANT
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▲ HIGH PROFILE ROLE
▲ ACQUISITION WORK
▲ NEWLY QUALIFIED ACA

Major retail and service multinational requires high calibre newly qualified ACA for varied project work at *Group level. Reporting to the Board and working on* projects throughout all business areas, this will give strong commercial exposure.

Contact **Deborah Sherry** on 01-836 9501.

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The North **to £38,000 + car**

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▲ FINANCIAL PLANNING
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High Calibre graduate accountants (ACA, CIMA, CACA, CIPFA) *aged 27-32 are required for non-routine* high profile consultancy positions within a fast growing division of one of the major international consultancies. Consultancy is seen by them as two/three years experience or as a career. If you have a superior track record and first class personal skills, please apply to **Trevor Atkinson FCA** with a detailed CV including salary to **Douglas Llambias Consultancy Services, 410 Strand, London WC2R 0NS, quoting reference 3529.**

BIRMINGHAM 021-233 4421
LONDON 01-836 9501
EDINBURGH 031-225 7744
MANCHESTER 061-236 1553
GLASGOW 041-226 3161

DLA
DOUGLAS LLAMBIAS

Oil & Gas Exploration
Financial Accountant
c. £25,000+Car
Central London

Ranger Oil is a successful independent whose activities have been concentrated in the UK North Sea since the discovery of the Ninian Field in 1974. It has extensive exploration and production interests in the UK and overseas and is on the threshold of operating its first North Sea development project.

Ranger is now seeking an enthusiastic and energetic newly qualified accountant, to strengthen its financial accounting team. Reporting to the Corporate Accounting Manager, he/she will co-ordinate the preparation of monthly accounts and assist in developing a management reporting system. In addition, he/she will prepare the annual statutory accounts for the group, assist in tax compliance and document accounting policies and procedures.

The ideal candidate should have experience in the oil and gas industry, as well as hands-on experience with PC-based spreadsheet applications.

Ranger offers its staff a stimulating and challenging environment, together with opportunities for personal growth and advancement. In addition to salary, a first-class benefits package is included.

In complete confidence, please write with CV to:
The Administration Manager,
Ranger Oil (UK) Limited,
Ranger House, 71 Great Peter Street,
London SW1P 2BN.

RANGER OIL

Morson International the market leader in technical *recruitment have a key position for a*

FINANCIAL DIRECTOR

Greater Manchester **£30,000 + Car**

Morson International have an excellent reputation for providing high calibre engineering and technical staff, to a diverse range of blue chip and hi-tech companies, within the aerospace, building, process and energy industries with a *£25m turnover recruitment business* with offices throughout the UK and North America. Now as a member of the Burns Anderson Group Plc, we are one of the fastest growing recruitment *organisations* in Britain today.

As Financial Director you will report directly to the Managing Director, with a functional responsibility to the Deputy Group Financial Director. In addition to the *recurrent duties associated with this high* profile role, the job holder will be part of the senior management team planning, co-ordinating and developing the business, by acquisition and organic growth.

Ideally you *should be a qualified ACA having* had at least three years experience in industry, now seeking a Number One role in a stimulating and ever changing environment. In addition to entrepreneurial flair, *computer literacy* and *sound man-management* skills are pre requisites for this position.

As well as an attractive salary and car there is an excellent benefits package, including pension, Share *Option Scheme and Health Care.*

In the first instance, please send your curriculum vitae, together with your daytime telephone number and present salary, to Adele Brook, Manager,

Robert Armstrong & Company Management Selection Consultants

No.1 Central Street, Manchester M2 5WR.
Tel. 061 236 0541 Fax. 061 833 1845

Chief Accountant

to £30,000 + Car

Due to company growth the London Branch of an International Banking Group is seeking to appoint a young, Fully Qualified Accountant with 2 years experience from a banking environment.

Reporting to the Managing Director your duties will include:

- Control of day to day accounting functions.
- Preparation of budgets.
- Fixed asset accounting.
- Maintaining liquidity and FX exposure.
- Regulatory reports.

In addition to the full ACA qualification, the successful candidate will be PC literate, self-motivated and a good team player. Excellent communication skills and a flexible attitude are essential requirements for this challenging role. Progression to Directorship is possible for outstanding achievers.

To apply, telephone or send your CV to Valerie Grassham or Tony Leggett

JOSLIN ROWE Accountancy

BELL COURT HOUSE, 11 BLOMFIELD ST., LONDON EC2M 7AY TEL. 01-588 7287 FAX 01-382 9417

Financial Controller
Salary: c£40,000

The UK subsidiary of a multi-national trading company is seeking a Financial Controller. The company is a leader in the trading of ferro-alloys and strategic metals and have strong connections in the Far East and the Eastern Bloc.

The position requires a hands-on style of operation and encompasses full responsibility for financial accounting, management reporting and treasury operations.

A qualified accountant preferably aged 35-45 having experience within a physical trading company would be the prefered candidate.

Interested applicants should contact **Ray Wallhead on 01-600 0101 or write to him at Rochester Recruitment, 10th Floor, Garrard House, 31-45 Gresham Street, London EC2V 7DN.**

ROCHESTER
International Search & Selection

Group financial Controller

London W11 *Circa. £40,000 + BMW + Share options*

Blenheim Exhibitions Group PLC, with a current annual turnover of over £70 million, has rapidly established itself as the leading and largest exhibition organiser in both the UK and Europe. This period of exceptional growth has been achieved through an aggressive acquisition strategy coupled with strong organic growth and is largely attributable to the group's young, high-calibre and forward-looking management team.

As a result of this expansion, the group is looking for a dynamic and energetic Group Financial Controller.

Reporting to the Group Finance Director, you will be directly responsible for group reporting, financial planning, treasury management and financial control throughout the group. Ideally you will be a aged 28 to 35, a graduate chartered accountant with multi-national reporting experience, possess sound commercial judgement and be able to demonstrate significant career progress to date.

This role will appeal to candidates who want to work for a fast moving group, in a close-knit busy environment, where a "hands-on approach" is essential. It offers a significant opportunity for the ideal candidate to play a key role in the group's future development.

Please apply with a full cv to:
Kate Lawrence, Blenheim Exhibitions Group PLC, Blenheim House, 137 Blenheim Crescent, London W11 2EQ

BLENHEIM EXHIBITIONS GROUP PLC

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We are currently handling a truly outstanding opportunity with a premier US investment and merchant bank for a newly or recently qualified ACA.

Previous financial services experience is not necessary but a good degree is essential. If you consider yourself to be a high achiever and are looking for scope, diversity and unparalleled global opportunities, then this position will undoubtedly fulfil your aspirations.

For further details, please write, with c.v. to **Neil Hadfield, Talisman Accountancy, Dorland House, 14-16 Regent Street, London SW1Y 4PH. Tel: 01-925 0848.**

TALISMAN Accountancy
A DIVISION OF THE TALISMAN GROUP OF COMPANIES LTD.

Jersey Qualified

Money Market Dealer

Citibank, which boasts one of the most dynamic and fully integrated Treasury operations in Jersey, is looking to recruit a Dealer for the money market desk.

The ideal applicant will have two to three years' experience of major currency and money market dealing and exposure management products, be self motivated and looking for an exciting career with a global bank.

For the right person, we offer an attractive salary and benefits package, which includes non-contributory pension, free life assurance, private medical care, preferential mortgage and loan schemes.

If you are qualified to reside in Jersey and would like to be considered, please send your CV to:- Alison Laurens, Personnel Department, Citibank (Channel Islands) Limited, PO Box 104, Green Street, St. Helier, Jersey, Channel Islands.

Citibank

A Citicorp Company

Assistant Fund Manager
Far East

The Company

Globe Investment Trust P.L.C., the largest investment trust in the UK, manages its own assets of £1.5bn in stock markets around the world and in a large unquoted portfolio. In addition, Globe has a pension fund management subsidiary – Globe Morley Limited – looking after £800m of clients' money.

The Position

A vacancy has arisen to act as Assistant Fund Manager on the Far Eastern portfolios. Currently about £180m is managed from the Far Eastern desk in two main portfolios. The job requires working closely with the Manager on investment decisions and dealing, mostly in Japan, but also in Hong Kong, Singapore and Australia.

Qualifications

The position would suit a graduate in their 20s, prepared to work hard, and be judged by their performance. Experience in the relevant markets would obviously be an advantage but not necessarily vital for the outstanding candidate. The ability to work as part of a small team of 12 fund managers is important, as are communications skills.

An attractive and competitive package will be offered to the *right candidate. Please reply in writing with full CV to:*
John Craze, Globe Management Limited, Globe House, 4 Temple Place, London WC2R 3HP.

Globe Investment Trust P.L.C.

Financial Directors

To secure the best appointments at senior level needs more than good advice, accurate career objectives and succinct presentation.

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The service offered by InterMex is free and can be used independently of the Counselling Service.

Senior Financial Managers

LEGAL APPOINTMENTS APPEAR EVERY MONDAY

FOR FURTHER INFORMATION CONTACT

01 873 3000

NICHOLAS BAKER
X3456
DEIDRE McCARTHY
X3694

Group Financial Controller

Early/middle 30s **£30,000 plus bonus**

This is a first class opportunity for an experienced operational accountant to move up to group level. It is a proactive role – solving problems not just identifying and investigating them – and offers career growth potential.

The group is a plc with turnover in excess of £100 million which has achieved outstanding growth and profits through capital investment and diversification and is actively pursuing further expansion, both organic and by acquisition.

The Financial Controller will co-ordinate all group financial and accounting matters, develop and maintain standards throughout the business and be involved in investigation of growth areas including acquisitions.

Candidates, male or female, age early/middle 30s, must be qualified accountants, ideally but not necessarily FCA. They must have had several years' post-qualification experience in manufacturing industry, will probably by now have reached Chief Accountant/Controller level in a sizeable operating company and must have computer experience.

Initial salary negotiable to £30,000 plus bonus; benefits include car, private health insurance and relocation help if needed to Yorkshire base.

Please write – in confidence – with full career details to D. A. Ravenscroft.

Ravenscroft & Partners
Search and Selection
20 Albert Square, Manchester M2 5PE

PROJECT ACCOUNTANT

W1

£28-£32,000 + CAR

TELEVISION AND MEDIA services has been one of the growth sectors worldwide in the late 1980's. We have been asked to find an important individual for a company that can claim to have been the star performer in this marketplace over the last five years with every intention of maintaining its pre-eminence. The group philosophy is to operate decentralised subsidiaries in a number of related marketplaces monitored from a Head Office. They wish to recruit a young accountant to join a very small team reporting directly to the Finance Director and responsible for a range of tasks varying from project work to systems development to fire-fighting.

Initial tasks will relate to development of head office management accountancy systems and treasury reporting systems but underpinning these tasks will be a constant involvement in mergers and acquisitions work. Subsequent tasks will include work on funding exercises and overseas subsidiaries (particularly North American).

The position will appeal to a qualified accountant with a good grasp of statutory accounting matters but at the same time the flexibility to cope with a rapid pace of change. The role offers a uniquely interesting set of tasks and is an excellent introduction to almost every aspect of group operations. Finally it is seen as the best method of offering talented accountants an accelerated career path.

If interested please contact Gordon Montgomery on 01-629 8863 fax 01-408 0961 or write to him at the address below.

BOND ACCOUNTANCY

RECRUITMENT CONSULTANTS
BOND HOUSE, 19-20 WOODSTOCK ST, LONDON W1R 1HF Tel: 01-629 8863

FINANCE DIRECTOR

East Midlands **c£40,000 package**
Age 30-45 **+ benefits + exec. car**

Our client is a world leader in its niche specialism of high technology contracting and has consistently achieved this status by maintaining the highest standards of design, installation and service. It has a turnover in excess of £40m, and is a major subsidiary of an acquisitive public company. Its demand-led expansion plans, coupled with the Group's decentralisation programme, has created the need to strengthen the Board with a commercially-astute Finance Director.

Your key tasks will be to develop and improve the quality of financial information received by the executive team, highlighting and recommending action required. It will be necessary to upgrade the existing computer systems to achieve this goal, as well as building your finance team as required. Whilst this is a complex, international business, the Managing Director will quickly expect you to become involved in all areas of financially-related matters, make a significant contribution to strategic planning, and play a major part in increasing profitability and efficiency into the 1990's. You will also be expected to help in possible diversification activities.

You will be a clear-thinking, tough-minded qualified graduate accountant who has succeeded in an engineering or contracting environment by having excellent motivation and communication skills, the ability to initiate change, and the stature and presence to quickly be accepted by your colleagues.

To apply, please contact Chris Davis at our Birmingham office, quoting ref. BX115.

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GROUP FINANCE DIRECTOR

Birmingham Up to £35,000+Car+Benefits

The Training Business Group provides professional training and management consultancy services for private and public sector organisations. Growth has been dramatic since it commenced operating three years ago, and the Group is well placed to continue to expand into the 1990's.

A highly competent and commercially astute qualified Accountant is to be offered the post of Group Finance Director, to report to the Group Managing Director. The successful applicant will assume a senior role as a major player in the strategic growth of the business.

Responsibilities will include review of the Group and its six operational companies' performance; corporate planning, including acquisition work; the continued development of I.T. within the Group; the provision and monitoring of all accounting information, including Group monthly consolidated accounts, annual statutory accounts, budgets and cashflow forecasts. An ability to assume detailed involvement in the business and an overview for future growth is essential.

Potential for personal development within the Group is strong, so in addition to good technical skills, applicants must demonstrate drive, ambition and the ability to communicate well. Several years' experience in a senior financial position within a fast growing commercial *organisation is required.*

An attractive salary and benefits package will be offered, plus a performance related bonus. If you wish to apply, please write, quoting career and salary history, and reference B/233/89 to Louisa Chapman.

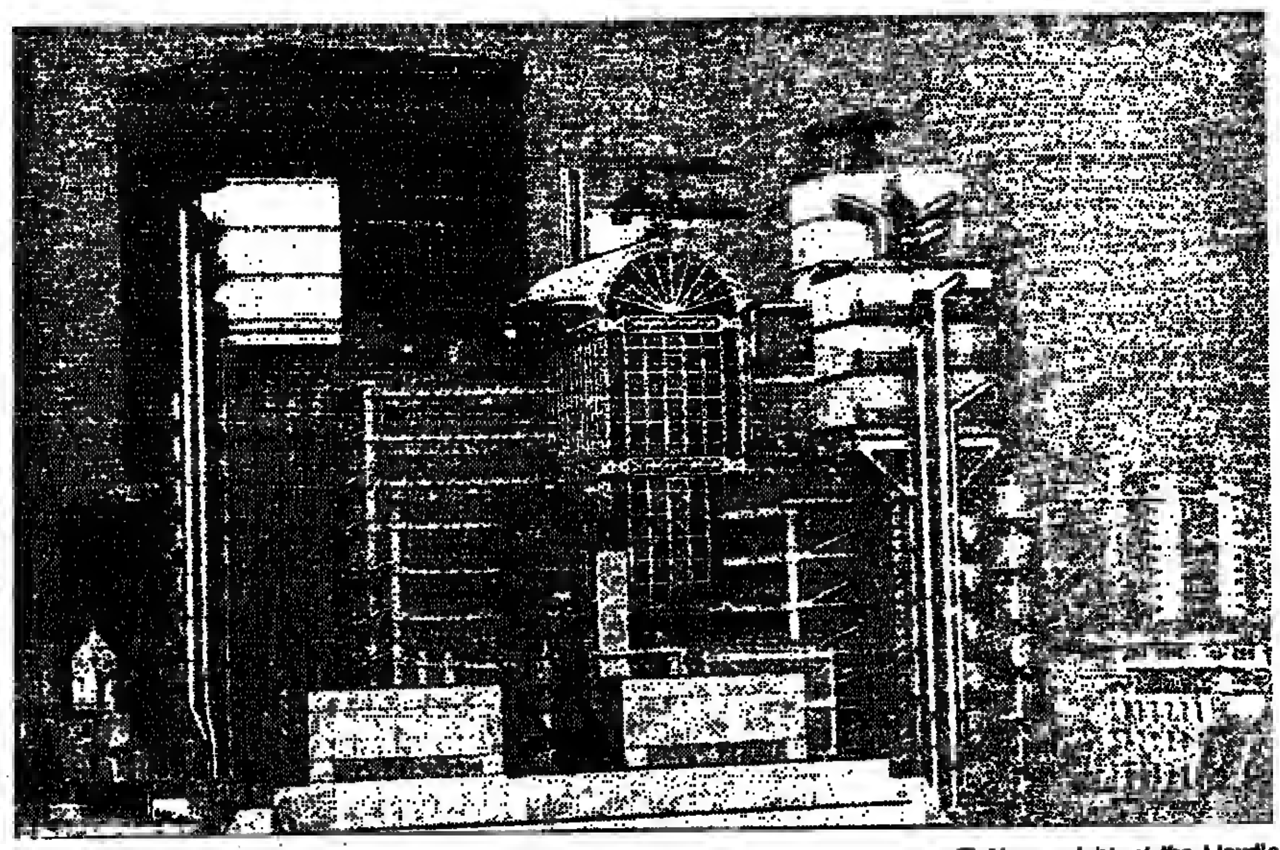
KPMG Peat Marwick McLintock

Executive Selection
Peat House, 2 Cornwall Street, Birmingham B3 2DL

SECTION III

FINANCIAL TIMES
SURVEY

Evidence of the link between fossil fuels and global warming of the atmosphere is now intensifying international concern to find more effective ways of producing and consuming energy. **Maurice Samuelson** examines the widespread implications.



Two eides of the energy efficiency equation: the euppliers and the users.

☐ Above, right: et the Lloyd'e of London building, eutomelic controls ensure e high degree of energy efficiency, using en energy management system eble to fine-tune the neede of different parta of a complex structure. Heating, lighting and air-conditioning systeme, designed by Ove Arup and Partners, ellow wide flexibility and employ several heat-recovery concepts.

☐ Above, left: e BP oil rig in the North Sea.

Energy Efficiency

A matter of global concern

BACK IN the 1970s, we were told that we would shiver to death because of the speed with which the world's fuel reserves were being squandered.

Today, we walk in fear of being gently boiled alive by the Greenhouse tn the Sky. Typhoons, monsoons, droughts and heat waves, say scientists, could increase through unfettered use of carbon fuels.

Yet these wildly contradictory nightmares have a common panacea – to use fuel more efficiently and to adopt more benign sources of energy.

In the 15 years since the first "Save It" campaign, the early panic reactions to a short-lived Middle East oil embargo have broadened into an article of faith about safeguarding the planet and its inhabitants.

Energy efficiency is no longer the credo only of penny-wise consumers. It is also the watchword of large public and private utilities, under pressure to stop causing pollution when they convert fuel into power.

The new emphasis on efficiency by these powerful industries and their political overlords should, in principle, discourage the apathy which overshadows this issue whenever, as in 1986, sliding oil prices bring other energy prices tumbling in their wake.

But there is also e danger that the global fixation with the environment will distract attention from the mundane tasks of improving efficiency by end-users.

These efforts involve a myriad individnal decisions on investment which are difficult to relate to the bigger environmental issues. Instead, they often require sizeable commitment of scarce resources which would yield faster returns if spent differently.

Fiscal incentives by Government would make many energy saving investments more attractive. But in Britain, there has recently been a steady reduction in the Government support for energy saving schemes.

Money is now less freely available for insulation grants. Hospitals, among the country's biggest energy users, are said to be hindered hy Treasury rules from using the specialist contract managers who save private clients millions of pounds a year.

The disillnsionment is shared by Dr Glenn Brookes, a former Harwell scientist who runs Britain's Energy Systems Trade Association (ESTA), the umbrella body for suppliers of advanced energy saving equipment, consultancy and energy management services.

Speaking on behalf of the consultants, he says they are deeply concerned by the "general apethy" among many energy consumers. His association represents 60 per cent of all the consultancy undertaken through the various government survey schemes.

According to Dr Brookes, several consultancies are suffering from the recent decision of the Department of Energy to stop all grant assisted surveys.

New business is being generated in establishing schemes whereby clients monitor and target their energy consumption – "but consultants are dismayed that government-interest in promoting energy efficiency is at its lowest ebb at the height of need."

ESTA also takes issue with the Government's belief that market forces will determine environmental issues. Instead, it wants to see a carbon tax on fossil fuels and legislation to encourage energy efficiency.

All is not gloom, however. Suppliers of metering and monitoring equipment are experiencing bnoyant times, due partly to earlier decisions to buy hardware for targetting and monitoring.

Thanks to the long lead-times in snpplying energy management systems, this market is enjoying a 15 per cent annual growth in Britain despite high interest rates and an expected slow down in new building construction.

ESTA claims that the UK has the highest proportion of buildings fitted with these computer-based controls and that most new buildings have them as a matter of course. This puts the UK market as the third-largest after the US and Germany.

The UK market is also largely snpplied by domestic companies, which have e good springboard for exports. Trend, Satchwell, JEL and Transmitton, all companies set up in the late 1970s, have 60 per cent of the UK market, worth around £90m a year.

Among the big fuel and energy suppliers, meanwhile, the coupling of environmentalism and efficiency has provided a new text for their commercial rivalry with each other.

Although energy suppliers have long preached the need for efficiency improvements by themselves and by end users, it is the Greenhouse Effect which has finally given efficiency such a high place on their agendas.

This reflects the widespread view that although there are other causes of global warming – such as the gases used in aerosols and refrigerators, and motor car exhausts – much of the blame for it belongs to coal and oil-fired power stations and to other big fuel-users.

At international gatherings like the latest World Energy Conference in Montreal, speakers are nowadays less preoccupied with availability of fuel than with paying lip-service to environmental greenness.

A similar shift is epparent even at the International Energy Agency, the Paris-based group of nations set up to deal with attempts by the Organisation of Petrolenm Exporting Countries (Opec) to establish an oil suppliers' cartel in the early 1970s.

Having campaigned for years in favour of replacing oil with coal and nnclear and for energy conservation, the IEA is now paying equal heed to the need for clean and efficient generating practices.

This change of emphasis has a strong economic dimension. The oil shortages of the 1970s spurred the world-wide development of oilfields outside the volatile Middle East. The balance of the world oil market shifted eway from the Opec countries, which now account for little more than a third of the world's output of crude oil and liquefied natural gas.

Even more decisive has been the electricity industry's replacement of heavy fuel oil by coal and, to a lesser extent, nnclear power. And last but not least has been the steady improvement in efficiency by energy users, spurred not only by energy prices but by the savage restructuring of industry and the struggle to survive the recession of the late 1970s and early 1980s hy slashing production costs.

Finally, efficiency is the key to dealing with the problems of the environment. It is a key which opens many doors behind which are alternative technologies for clean uses of fossil-fuel.

The ideal way to reduce carbon build-np in the atmosphere would be through the widespread use of Combined Heat and Power (CHP) stations.

In contrast, conventional power plants sell only electricity and let their heat escape into the atmosphere. CHP plants sell their heat as well, thereby using less than half the amount of fuel for e similar output of energy and halving the release of carbon gases.

In Britain, where conventional fossil and nuclear stations produce the bnlk of national electricity demand, CHP has been the subject of much debate but little real action. There is little prospect of it being adopted for inner City district heating as in parts of Scandinavia and Europe. Bnt it could well feeture in some of the gas-fired independent power stations which are planned after the British electricity industry is privatised in the early 1990s. A number of such "co-generetion" plants are already running snccessfully.

Efficiency, and lower carbon emissions, would also be the hallmark of the new gas-fired

Continued on page 2

ON INSIDE PAGES

Editorial production: Michael Wiltshire

The time for more efficient energy-usage is now, say climatologists.

Few doubt that global warming is a real threat

THE MOST urgent environmental reason for conserving energy is now the greenhouse effect – the threat that carbon dioxide released by burning fossil fuels will raise the temperature of the atmosphere by trapping solar heat.

The amount of carbon dioxide carbon dioxide in the atmosphere has increased from about 290 parts per million in pre-industrial times to 350 ppm now; on present trends, it will reach double the pre-industrial level by the middle of the next century.

According to the best current estimates, carbon dioxide from coal, oil and gas burning is responsible for 40 to 45 per cent of the greenhouse effect and carbon dioxide released by deforestation adds a further 10 to 15 per cent. The remaining 40 to 50 per cent of global warming is caused by other gases added to the atmosphere by human activities: methane, nitrous oxide, chlorofluorocarbons and others.

The 1980s have been the warmest decade worldwide since meteorologists began keeping reliable weather records in the mid-19th century, and the global average air temperature is now 0.5 degree Centigrade higher than in the 1880s.

Most scientists say that this warming is consistent with what they would expect from the greenhouse effect so far, but it is not large enough to be proof of man-made warming, rather than a natural fluctuation in climate.

A vocal minority of climatologists, led by Dr James Hansen of the Nasa Goddard Institute of Space Studies in New York, says it is virtually certain that man-made warming is already causing exceptional droughts and heatwaves. But most expect to have to wait another 10 years or so before the greenhouse effect stands out unequivocally from random climatic variations.

Five research centres – four in the US and the Meteorological Office in the UK – have produced supercomputer simulations of the greenhouse effect, using general circulation models of the atmosphere.

In general, these predict an increase in global temperature between two and five degrees Centigrade when the carbon dioxide concentration doubles.

The science of dynamical climatology, on which the computer models are based, is still in its infancy, however, and there is still a great deal of room for error in the predictions.

Dr John Houghton, director general of the Meteorological Office, told the British Association for the Advancement of Science last month that recent simulations on the Met Office computer gave results which varied from about two degrees to more than five degrees C for the temperature increase resulting from doubled carbon dioxide.

These variations resulted solely from changing the way in which the computer treats clouds (for example whether they are represented as a collection of water droplets or ice crystals).

Yet the difference would be critical in practice; most farmers could probably adapt to 2 deg C warming, while 5 deg C would bring an agricultural catastrophe – and a rise in sea level sufficient to inundate many low-lying parts of the world.

The oceans are an even bigger source of uncertainty in dynamical climatology than the clouds. Ocean modelling is very primitive compared with atmospheric research. The effect of the oceans' "thermal inertia" could delay global warming by several decades.

Or, alternatively, the oceans could accelerate the greenhouse effect. Some marine scientists say that plankton – micro-organisms in the sea – will release more carbon dioxide in the atmosphere as it warms up. This "plankton multiplier" is believed to have caused very rapid warming at the end of the last ice age.

If the overall global impact of the greenhouse effect is uncertain, the regional effects in different parts of the world are almost unknown. The only prediction climatologists make with confidence is that the warming will be strongest in polar regions and weakest near the equator.

No one has much idea how the greenhouse effect will change rainfall patterns. For example, some computer models predict intensified monsoon rains over southern Asia, which could bring devastating annual flooding; others show a weaker monsoon – and a threat of failed harvests and starvation.

Even so, the consensus of climatological opinion is that winter rainfall or snowfall in mid and higher latitudes will increase, while subtropical areas where rainfall is already low may suffer even more severe droughts.

Despite all the uncertainties about the greenhouse effect, few climatologists doubt that global warming is a real threat. And they say that the time to plan countermeasures – above all more efficient use of energy – is now.

They do not advocate waiting another decade for scientific "proof" of the greenhouse effect to arrive.

Clive Cookson, Technology Editor

Maurice Samuelson examines new ways of reducing pollution while boosting energy production

Challenge for the coal industry

CONCERN about the environment is shifting attention away from the way energy is used to how it is produced. In the case of coal, the search is on for combustion methods which cause the least pollution while releasing the maximum amount of heat per tonne of coal.

The coal industry's quest for these methods is accelerated by the challenge from other fuels – natural gas and oil – which, in either or both of these respects, give better results than coal.

Hence, the interest in gasifying coal before burning it, reminiscent of the "good old days" of town gas, (as described in the article, below).

There are also the boilers used for fluidised bed combustion, (fbc) which the coal is blown around the boiler as though it were a liquid fuel. By mingling it with a neutralising "sorbent," such as limestone, much of the sulphur and nitrogen impurities are prevented from entering the atmosphere.

The fuel can also be burned more efficiently, thereby lowering the emissions of greenhouse gases, such as carbon dioxide, per unit of heat or, if used in a power station, of electricity.

Such boilers, now widely used by industry, can burn a wide range of low grade fuel, thereby serving the primary aim of energy efficiency – to conserve valuable energy resources. Inherently friendly to the environment, they do not have to be retrofitted with expensive flue gas desulphurisation units, like those needed to clean up conventional coal-fired boilers.

Another advantage is that in power stations they are suitable for plants of about 200 MegaWatts capacity, only a tenth of the that in Britain's biggest fossil-fired power stations. They therefore fit the current vogue for smallness which in Britain is further strengthened by the move towards privatisation of electricity.

There are three principal types of fbc. Two are established technology; the third is still in the development stage.

The first, bubbling bed, is suitable for up to 50MW. Air is blown into a bed of red hot limestone or ash from underneath and the fuel is blown in from the top or side. Thanks to the efforts of the British coal industry, fbc has been installed in a large number of industrial sites, where coal has replaced oil over the past decade.

However, fbc has never been used by the British electricity industry and there are far more fbc plants running in West Germany, Scandinavia, and the US.

The second category of fbc is called circulating fluidised bed. Consisting of more than combustion chamber, the blazing fuel and limestone are whirled around the system at great speed.

The motivation for research has as much to do with the environment as it has with energy efficiency

This improves both the environmental performance and the release of heat from the fuel.

About 150 circulating systems have been installed worldwide, half in the US, designed by Ahlstrom of Finland, Lurgi of West Germany, or others.

Their environmental and efficiency features are:

● Removal of more than 90 per cent of sulphur dioxide.

● Low nitrogen oxide formation.

● Around 98-99 per cent burnout of carbon, depending on the fuel used.

● Flexible configurations to fit the available space.

As power stations, it is claimed that they convert the fuel into electricity as efficiently as the most up to date conventional coal-fired stations, with the added advantage that they can burn low grade fuel, including urban rubbish, and do not require back-end clean-up treatment. The efficiency of fuel use is even higher where the plants are designed to sell waste heat as well as electricity.

In Britain, the first public power station which could incorporate circulating bed technology is the 150 MegaWatt plant planned jointly by British Coal and East Midlands Electricity at Bilsthorpe colliery, Nottinghamshire.

The chief contenders to design the plant are Ahlstrom, of Finland, and a joint Anglo-German owned by Lurgi and NEI International Combustion.

Ahlstrom, with more than 70 units completed or under construction, is the world's biggest supplier of circulating fbc systems, although Lurgi is bigger in terms of the generating capacity it has on order.

Both companies are also involved in attempts to upgrade the size of such plants to rival those of conventional coal-fired boilers.

The French electricity industry has commissioned Stein Industrie to design a 250 MW circulating fbc boiler and is considering coal-fired units of up to 600MW capacity to supplement is base-load nuclear power stations.

Ahlstrom is also a partner with British Coal in trying to develop the next generation of fbc, whose efficiency will rival that of natural gas-fired combined cycle technology.

This work, being carried out at Grimethorpe colliery, South Yorkshire, involves the pressurisation of the combustion chamber and the inclusion of a separate gasifier (the "topping cycle") which would boost the temperature of the gases entering the gas turbine.

After a prolonged respite, this work is now going ahead with financial help from the British Government and a small donation from PowerGen, one of the successors of the Central Electricity Generating Board.

Unlike the other types of fbc, its commercialisation still appears to be several years from realisation. In helping to fund it, the British Government is helping to redress the incomparably bigger resources poured into nuclear research. And, as with its nuclear policy, its motives are as much to do with the environment as they are with energy efficiency.

Engineers assemble a giant wind turbine in Denmark.

Alastair Guild examines the potential for biofuels, wind, wave and tidal energy

Second wind for renewables

A WIND farm near Cardigan in Wales could soon be making renewables' first significant contribution to Britain's energy needs. But supporters of wind, wave, tidal and biofuels say that renewables' true potential to compete with other forms of power could be vastly under-estimated.

At least 20 per cent of the UK's electricity requirements are to be met by non-fossil fuels, including nuclear and renewables, by the end of the century, according to an announcement by the Department of Energy. The government has set aside an extra tranche of 600MW of capacity to be filled by renewables alone.

By 2025, they could be generating nearly 30 per cent of current levels of electricity demand. But Friends of the Earth have said that with the right levels of funding, there could be 1200MW of renewables on stream by the turn of the century.

The 25 wind turbines planned by the CEGB for a square mile of farmland in Dyfed could begin generating power in the autumn of 1990.

The true potential of renewable energy sources "has been greatly under-estimated"

When fully operational they should produce enough electricity for about 2,000 homes, with further sites under consideration in the North Pennines and Cornwall, representing a total investment of £22m.

National Power and PowerGen, the two main post-privatisation generating companies both plan to take a stake in the farms. There are also plans to build a 750-Kw wind turbine three miles off the north Norfolk coast in the early 1990s, at a cost of £2m.

Electricity privatisation could create a healthier climate for renewables, aside from the gradual phasing in of the 600 MW renewablee tranche. It will make it easier for independent generators to supply power to area boards and the grid, and for area boards to install their own capacity.

Whether they take up the opportunity will very much depend on the terms of contract offered by National Power and PowerGen to the area boards.

The North West Electricity Board (NORWEB) is the first area board to report on the prospects for renewables in its area. It believes that 12 per cent of its demand for baseload power – the amount required continuously throughout the year – could be generated economically from renewables.

The board will decide later this year which schemes are competitive with power from conventional generators, once the price of electricity is settled in contracts with National Power and PowerGen. Its study indicates that electricity from renewables, such as rotting rubbish, wind and upland streams and rivers, would be generated at a cost of 3p per unit or less, and is considering building 'renewable' power stations.

According to the Cornwall Energy Project, the county could meet 10 per cent of its energy demand from renewables. Wind could generate 1.5 GW – winds reach over 8m/sec across much of the county – hydropower 20MW, while wave, tidal and other 'alternative' technologies offer further potential. The project estimates that a total of £37m worth of energy could be generated from renewables in Cornwall.

That could include electricity from a hot dry rock reservoir, 5km under Rosemanowes. RTZ Consultants are carrying out a study aimed at assessing the commercial feasibility of the project and to plan a prototype system.

Work is continuing, meantime, on a feasibility study of a tidal barrage across the River Severn. An interim report earlier this year said that the barrage across the estuary from Cardiff to Weston-super-Mare would cost £8.5bn at 1988 prices, compared with £5.54bn, four years ago.

The cost of generating electricity from the barrage is likely to be 2.79 pence per kWh at a nominal 5 per cent rate of return on capital, compared with an estimated 2.24 pence per kWh for the proposed Hinkley C Point nuclear station.

However, comparisons between renewables and conventional and nuclear power stations have been generally distorted in the past, say the proponents of renewable energy. Assessments of the economics of coal fired stations, for example, have failed to take into account the cost and energy required in mining, likely to increase as coal becomes a yet scarcer resource. The arguments for nuclear often omit the costs of de-commissioning and the finite supplies of uranium.

Transmission losses is another item often missing from the equation. These can be as much as 35 per cent, whereas some renewables, such as domestic solar can generally be sited much closer to users. A lot of renewables need the grid to average-out fluctuations in supply, for example variations in wind speed and in power from tidal stations, though some heat from renewables can be stored.

Also conveniently forgotten, say the protagonists of renewables, are the amounts spent on nuclear research, £16bn since the 1950s, compared with £150m spent by the Department of Energy on renewables since the 1970s. The £20m which the UK Government plans to spend on renewables research and development in the early 1990s, compares with some £41m spent last year on fast breeder reactors.

The Charter for Renewable Energy has called for a Renewable Energy Development Agency to be established, independent of the Department of Energy and answerable to the House of Commons, via the Secretary of State for Energy. The group believes that 40 per cent of Britain's electricity needs could be met by alternatives to fossils and nuclear by the year 2.000.

☐ Wind turbines, both on-shore and off-shore, could supply 2GW by the turn of the century, with a total potential of 50 per cent of current requirements at unit costs comparable to conventional sources.

☐ There are 11 major sites for tidal barrages in the UK and many other smaller locations with potential to produce around 15 per cent of requirements.

Wind turbine sites, both on and off-shore, must be chosen with great care and sensitivity

☐ £50m of investment in research and development into shoreline, inshore and deepsea systems is needed to put wave power on course for an eventual contribution of 25 per cent of electricity demand.

☐ Geothermal energy could supply up to 10 per cent of UK electricity, direct and indirect solar 10 per cent, while landfill sites of refuse could be engineered for fuel production at little extra cost.

"Until you can say precisely what the cost of renewables will be and exactly how effective, people will be frightened by them," says Nick Nakorn, the group's spokesman. Accountants cannot cope with variable costs and in-puts across the life of integrated systems. So it has been easier for them to assess depreciation over the life of a conventional power station. But increased investment in full scale pilot plants will provide the data to assess the long term financial benefits of renewables.

The agency would create initiatives in renewables, mobilise finance, work to remove technical, institutional and financial obstacles, provide technical and non-technical information and support research, development, demonstration and commercialisation of renewables.

All involved in developing renewables recognise that sites will have to be chosen carefully and sensitively, to take account of environmental concerns. Some of the windiest will be in areas of natural beauty, while creating a barrage across an estuary is likely to affect the whole esturine ecosystem.

Improvements in coal gasification techniques

Prospects for a new international market

THE BASIC technology of coal *gasification dates* back to the early years of the Industrial Revolution. The Victorian gasworks that produced "town gas" from coal worked on the same chemical principles as the latest gasifiers.

Recently, however, the technology has been improved to the point where turning coal into gas and then burning it in a power station looks like a serious contender for large-scale electricity generation at the beginning of the next century.

Integrated Gasification Combined Cycle (IGCC) power plants are seen in the electricity industry as the main alternative to fluidised bed combustion (FBC) for advanced coal-burning technology.

Both IGCC and FBC offer a cleaner and more efficient means of converting the energy in coal to electricity; it is too early to say which will win the competition between the two techniques.

An IGCC plant has a gasifier in which coal reacts with steam and air to produce a raw fuel gas containing carbon dioxide, hydrogen and methane. This gas is cleaned chemically to remove pollutants such as sulphur, before firing in a gas turbine to generate electricity. The hot exhaust is then used to produce steam to power a second turbine.

IGCC can convert the energy in coal to electricity with up to 43 per cent efficiency, compared to 37 per cent for a conventional coal-burning power station. And promoters of the concept say that, as gas turbine technology is developed, 50 per cent efficiency may eventually be achieved.

Several different coal gasification processes are competing for what may become a major new international market. The current leaders are British Gas/Lurgi, Shell and Texaco.

The British Gas/Lurgi (BGL) gasifier is the result of long-standing co-operation between British Gas and Lurgi of Frankfurt, West Germany. A prototype, running at British Gas's Westfield Development Centre in Fife, Scotland, converts about 500 tons of coal per day into gas, which is burned in a 27MW Rolls-Royce turbine to generate electricity.

Cleaner and more efficient systems are being developed

British Gas originally embarked on the BGL project as a way of making "substitute natural gas" from coal to pipe to its customers when the real thing runs out. But it seems likely now that worldwide supplies of natural gas will remain abundant until well into the next century, so the company is actively promoting BGL as an IGCC technology.

Although negotiations are under way in several countries, no contract has yet been signed to build a demonstration-scale power station using BGL. The two rival processes, Shell and Texaco, do have IGCC plants running or et the planning stage.

The Shell process was selected this year by the Dutch electricity supplier, SEP, for a 250MW demonstration plant to be built at Buggenum in the Netherlands. When it starts producing electricity in 1993, it will be the world's largest IGCC power station.

Shell has been working on coal gasification since 1972. The pilot plant, handling six tonnes of coal per day, began operating at the Royal Dutch/Shell Laboratory in Amsterdam in 1976. Since then two larger demonstration plants have been built: the first, at Harburg, West Germany, had a throughput of 150 tonnes per day, and the second, at Deer Park, Texas, can handle up to 400 tonnes per day.

Texaco has been involved in coal gasification for even longer than Shell. Its first pilot plant, handling 15 tonnes of coal per day, started up in 1973. Three demonstration plants, with capacities between 150 and 360 tonnes per day, were built during the late 1970s. And three commercial plants, converting between 750 and 1,500 tonnes per day of coal into feedstock gas for chemical factories, have come on stream during the 1980s.

New technology offers more flexibility to power stations

But the most significant plant based on Texaco's coal gasification process is the Cool Weter demonstration 120MW IGCC power station in California. Construction was started at the end of 1981 and finished in 1984 – ahead of schedule and below the $300m budget.

Cool Water finished its five-year demonstration programme this year, after gasifying more than 1m tonnes of coal and generating 2.5m mega-watt hours of electricity. The sponsors – a group of US and Japanese energy and engineering companies – say that Cool Water has proved the commercial viability of IGCC and its environmental superiority over other coal-burning power station technologies.

Burning four very different types of coal, Cool Water operated with emissions of sulphur, nitrogen oxides and soot far below the limits set by the US Environmental Protection Agency.

Several electricity utilities in the US and Europe are now considering whether to order commercial IGCC plants. But the current abundance of natural gas makes them reluctant to go ahead, when it is faster and cheaper to build a simple gas-burning power station.

Even so, many senior managers in the electricity industry dislike the idea of burning a premium fuel, such as natural gas, to generate power – they believe that it should be used directly for heating. And they suspect that today's cheap and plentiful supplies of gas will soon be followed by a shortage, as more and more utilities build gas-burning power stations.

Advocates of IGCC point out, however, that it offers utilities an extremely flexible approach to building new power stations. They can start by installing a turbine generator burning natural gas, then add a coal gasifier when the price of natural gas rises high enough to switch to coal, and finally fit a steam turbine – completing the integrated combined cycle – when extra capacity is required.

Clive Cookson

Global concern

Continued from page 1

power stations designed to run on combined cycle turbines. In these plants, many of which have already been installed by industrial and commercial companies, the hot gas exhausts are recycled to drive a second turbine.

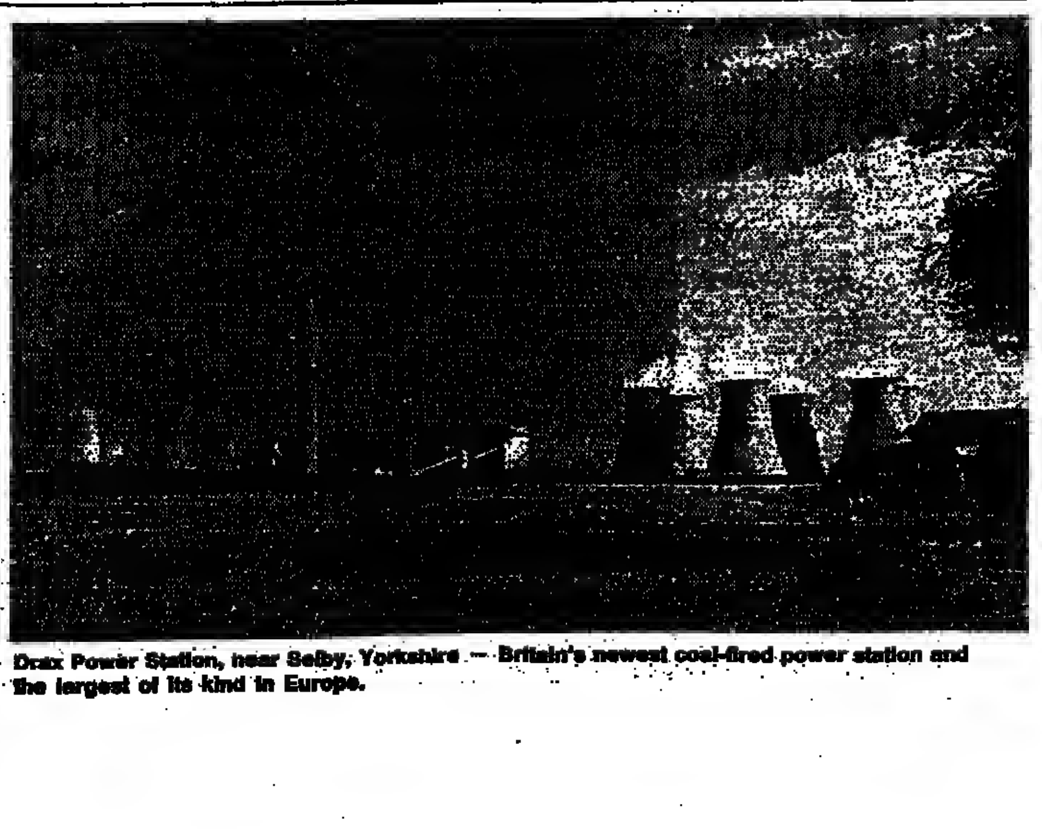
Coal, too, has entered the health and efficiency stakes with a brace of new combustion technologies, (some of which are described in this survey). The fluidised bed combustor planned at Bilsthorpe colliery, Nottinghamshire, would be the first in a British public power station. But several similar plants are already running in other parts of the world, including Western Europe and the US.

It is expected to perform as efficiently as the country's conventional 2,000MW coal burners, but without the added burden of having to instal costly gas-scrubbing equipment to meet tough new international *standards*.

A rival approach is to gasify the coal before turning it into electricity. Shell Coal, Texaco and British Gas are all working hard on this technology.

However, a common feature of many new plants is that they are still only on the drawing board. If competition in electricity failed to take off in Britain, most of the green, clean power stations publicised so energetically over the last year will be fated to remain paper tigers.

But there will still be scope for many more modest measures of the kind which specialists say are currently being ignored for lack of interest by customers and inadequate support from politicians.



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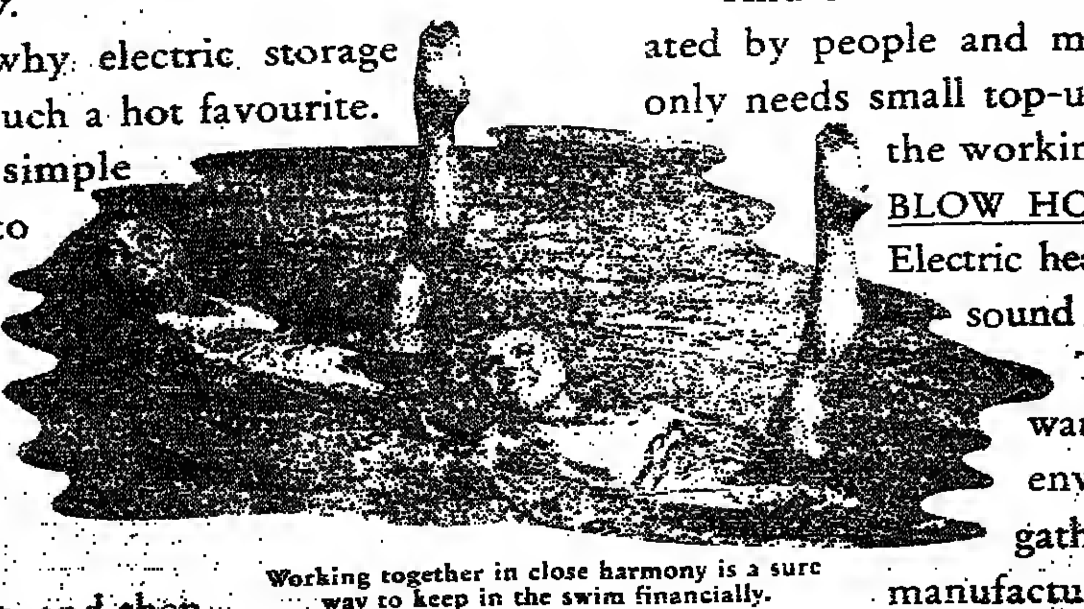

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Alastair Guild highlights drivers' dilemmas

Battle to reduce car emissions

THE CAR represents one of the single most significant threats to the UK Government's green credibility.

The 20m cars already on Britain's roads produce more than 16 per cent of the nation's total carbon dioxide emissions, a contribution to the greenhouse effect and likely to increase substantially if present traffic projections be realised.

Ministers in June accepted the need for three-way catalytic convertors to control emissions of nitrogen oxides, unburnt hydrocarbons and carbon monoxide.

Fitting catalytic converters (or "cats") to car exhausts was the only option to meet European standards within the time-frame agreed. Emission levels equivalent to those agreed for engines below 1400cc will apply to all new cars by the end of 1992.

Three-way "cats" are already provided as standard in some European countries, most notably West Germany and Sweden. Many continental countries have long since adopted the 1983 US standards, now the basis for the European Community agreement.

Now Audi, which last year imported 18,000 cars into the UK, will fit three-way "cats" as standard on its entire range sold in this country, from the 1990 model year, at no extra cost, though its entire range is being restructured and repriced.

"We expect to improve our business as a result of our investment," says an Audi spokesman.

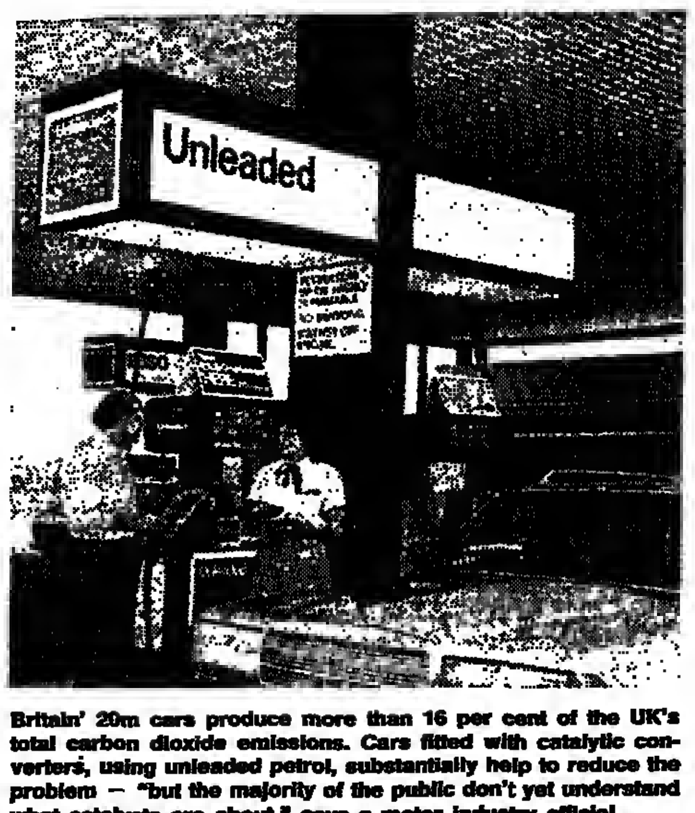
"Cars with convertors are already commanding higher re-sale values in Germany than those without."

Three-way "cats," at present offered as optional on some of the VW range imported into Britain, should be available on t he majority of the range by the end of the year, again at no extra cost.

Some of its diesel models also have "cats" fitted – this reduces the amount of particulates, including smoke, making VW's Passat diesel model "the cleanest internal combustion engine on the market."

Nissan, which also has diesel versions available on a large part of its range, has not yet fitted cats to any of its production for the UK market. But the company stresses it will have them as standard well in time to comply with the new emission standards.

"Nissan's market is primarily volume cars, so fitting a catalyst is clearly a price sensitive matter," says a company spokesman.



Britain' 20m cars produce more than 16 per cent of the UK's total carbon dioxide emissions. Cars fitted with catalytic converters, using unleaded petrol, substantially help to reduce the problem – "but the majority of the public don't yet understand what catalysts are about," says a motor industry official.

Rover has sold 100 of its 800 series, fitted with catalytic convertors since October last year – "the majority of the British public don't yet understand what catalysts are about," says a company spokesman."We won't make them standard until the market is ready."

Vauxhall, whose parent General Motors pioneered the design and development of cats in the early 1970s and now supplies 25 per cent of the world market, intends to phase them in as standard on all models over the next three years, starting with three high-performance models in October.

And then it is likely that car manufacturers will pass on the extra cost to the consumer. The amount is likely to depend on the *exact* vehicle specification. The cost for a car already with fuel-injection as standard, for example, could be as low as £350.

The availability of unleaded fuel and of pumps dedicated to unleaded petrol are other factors affecting the take-up of cars fitted with "cats." Leaded petrol destroys a catalyst, so cars with "cats" have a narrow tank neck.

But old blender pumps which dispense leaded, and now unleaded as well, have wide nozzles – "this means a lot of frustrated drivers of cat-fitted cars," says Rover's spokesman.

"Standardisation of three-way cats must be linked to the availability of unleaded petrol," says a spokesman for Ford, with 26 per cent of the total UK passenger car market.

The company, which has spent more than £50m in Europe on exhaust emission programmes, plans to make three-way cats available on 25 different models by the end of this year.

Cars fitted with catalytic convertors will also require more rigorous maintenance and in-service checks.

"This will be difficult to police," says Bruce Saunders, senior technical manager for the Society of Motor Manufacturers and Traders.

"If anything happens to *upset the operation of* the catalyst, yon may have virtually uncontrolled emissions."

The British Government would have preferred to give car manufacturers time to develop an alternative, lean-burn technology. Such engines will run on an air fuel ratio of up to 24:1 compared to roughly 14:1 for conventional technology.

Because the combustion system is cleaner, the engine control system can be more simple. This would have dealt with emissions, reduced the fuel penalty of taking the three-way catalytic convertor route – estimated at between 2 and 15 per cent – and so reduced car*bon dioxide emissions*. The more fuel burnt, the more carbon dioxide emissions.

Now, with car traffic possibly increasing by as much as 140 per cent by the early part of next century, and a massive road-building programme planned, the Government must think of ways of cutting emissions of carbon dioxide, the main contributor to the greenhouse effect – "unlike the other gases, there is no easy, technological 'fix' to deal with carbon dioxide from cars," says one government advisor.

Miles per gallon, which featured strongly in car manufacturers' marketing strategies during the 1970s and early 1980s, now seems to have lost its appeal, to the public, at least.

Substantial improvements to fuel economy were made by British manufacturers, particularly following the oil 'shocks,' with fuel efficiency bettered overall by over 20 per cent between 1978 and 1985, under a voluntary scheme drawn up by SMMT.

Manufacturers now need exhortation to improve mpg, and so reduce carbon dioxide emissions still further, the government believes.

The industry recognises that still better fuel consumption figures may be possible, though it stresses that the use of "cats" will set back the cause of fuel economy. Tech*nology already in use*, or under research and development includes:

Cars fitted with catalytic convertors will require more rigorous maintenance and in-service checks.

■ Reducing vehicle weight, by using plastics, low alloy steels and aluminium.

■ *Reducing* a vehicle's drag and the rolling resistance of tyres.

■ Dual cooling circuits, allowing engines to warm up more quickly.

■ More free-flowing oil to reduce heat loss due to friction in the engine.

■ Yet more sophisticated electronic controls of fuel injection and ignition systems.

Oil companies and motor manufacturers are resurrecting research into alternative fuels, such as methanol and ethanol, research which reached its height in the years following the oil shocks.

Nissan, for example, has supplied a methanol-fueled commercial vehicle to the Ministry of International Trade and Industry in Japan for use in a methanol feasibility study.

Car manufacturers are also co-operating with the US Environmental Protection Agency in its methanol project, as well as *putting much* research effort into the development of flexible-fueled vehicles capable of running on a mixture of gasoline and methanol.

Government is reviewing, meantime, the whole question of the growth in vehicle ownership and use, and model split between public and private transport.

Figures published by Earth Resources Research and the World Wide Fund for Nature show that a shift of just 1 per cent from private to public transport, and an increase in load factors from 1.7 to 2.1 people per car would bring down C0 emissions from transport by 15 per cent by the year 2005.

Government is thought to be considering, in particular, whether measures are required to discourage the ownership or use of company cars.

In central *London*, for example, 79 per cent of peak hour motorists have some form of company financial assistance.

An *overwhelming* majority of those cars are parked all day, and not used on company business, but add considerably to congestion in and around cities.

Ministers seem likely to favour a continued reliance on petrol taxation to influence vehicle-ownership and use, though some European countries are successfully using taxation of cars to encourage a switch to smaller vehicles.

Department of Transport officials say the motorist may buy a smaller car, but then fits a turbo charger or drives the car harder, so cancelling out any benefit.

The Americans devised their Corporate Average Fuel Economy scheme to encourage *motor manufacturers* to *meet* progressively tougher targets.

"It forced them to produce a lot of small, fuel-efficient vehicles," says Bruce Saunders of SMMT, which is also studying the options for imp roving fuel economy and reducing carbon dioxide emissions. But it made great difficulties for the US automobile industry. Americans didn't want to buy them, because fuel was still so cheap.

The motor industry *feels* that any approach taken by government must be a balanced one, while no government these days can ever forget that the voter votes increasingly with his foot on the accelerator.

Applications in the process industries

Lessons begin to make an impact

Energy efficiency has been a long time coming to the processing industries, says Ken Cooper

THERE is no doubt that process industries in Britain are using energy more efficiently in 1989 than they were in the profligate years before the oil crisis. UK manufacturing industry now uses 25 per cent less energy than it did in 1970.

Between 1973 and 1985, per capita energy use in OECD countries was reduced by 6 per cent at the same time as per capita GDP increased by 21 per cent.

As an index of energy efficiency, however, these figures are misleading since at least a third of the reduction in industrial energy is due to the restructuring of industry, the general shift towards further value-added production and the introduction of less energy intensive materials. Iron and steel production, for example, is at half the 1970 level.

Meanwhile, Britain remains "the sick man of Europe" in energy efficiency terms, with consumption in relation to GDP more than 40 per cent greater than in competitors such as West Germany and Japan.

Although techniques and technologies to transform energy-intensive industries are available and proven, they are only being adopted slowly. In such sectors as steel, glass, chemicals, food and drink, paper-making and cement, good energy-efficient practice is far from being universal.

The fact that the lessons of energy efficiency are now starting to make a real impact is due more to increased competition and the threat to economic survival than to the force of the energy efficiency message.

Nevertheless, slowly and inexorably under the spur of economic necessity, the pace is quickening and the lessons are being assimilated in four basic areas:

□ Better housekeeping methods, including the aggregation of small relatively low cost improvements.

□ Improved material flow paths, heat recovery, and new process technologies.

Last year, for example, the Food and Drink Federation launched a £150,000 programme to reduce energy bills by 20 per cent.

In this industry, energy consumption is concentrated in a relatively small number of companies. Of the 151 factories in the sector, 121 have annual fuel bills in excess of £100,000.

The initiative was based on demonstration projects, funded by the Department of Energy at 10 food manufacturing sites, which showed that basic monitoring and targeting practices could reduce the energy ratio by an average of 13.2 per cent.

The brewing industry's programme of better energy utilisation in the brewing process, aimed at reducing energy usage by 30 per cent by the end of 1988, reached its target two years early, by which time they had realised that they use as much energy in their public houses as they do in actually brewing the beer.

Accordingly, they embarked on a energy efficiency programme for public houses. The UK's 80,000 licensed premises spend £450m a year on energy. Potential savings identified would save in excess of £100m and would come predominantly from good housekeeping, plus low cost measures such as insulation low energy lighting, heat pumps, water savings and increasing staff awareness.

That small improvements can prove highly effective in their aggregate results, has been demonstrated in the steel industry, which was one of the first industries to adopt energy efficiency, largely because of its perilous economic position in the 1970s.

In Britain, 22 per cent of the cost of steel manufacture is due to the energy consumed.

Improvements included the reduction of friction in machines, prolonging the life cycle of equipment through better maintenance, improved corrosion control and smoother flow of materials.

The entire steel industry was transformed, however, by major process changes, notably the use of continuous casting which, by providing a better flow path, has accounted for half the energy saved.

In many process industries, including cement, paper, chemicals and textiles, better heat management has cut out enormous waste. Large amounts of energy, for example, are expended in cyclic wetting and drying: 5.5 per cent of total energy consumption in textiles, for example and 32.8 per cent in paper-making.

Techniques being adopted to reduce the fuel consumption of driers include heat recovery from exhausts, measurement of material and energy balances around an operating dryer, greater use of radiant heat for paper-drying, and more efficient cyclones for gas-powder heat exchange in cement plants.

In addition, the introduction of variable speed electronic motors results in a constant high efficiency at varying load levels.

The Department of Energy has identified no less than 34 new processes applicable to a wide range of process industries. These include fast-firing of pottery, new bread-baking ovens, converting cement manufacture from wet to semi-wet processes and flux de-gassing on an aluminium bale-out furnace.

Over 100 replications of these processes have already saved £20m a year in energy costs.

Poor process routing can increase the energy cost of a plant by up to 70 per cent. Pinch Technology is a mathematical model which provides a systematic approach to process integration. It helps find the most efficient way of transferring heat between fluid streams.

Using it, one manufacturer of sulphur based chemicals saved £70,000 on a £250,000 energy bill while a grain distillery reduced its £1.5m energy bill by £300,000.

Combined heat and power is another technology which is coming into favour. Many industries have processes which require the supply of both heat and electricity.

Traditionally, a boiler provides the heat while the local electricity board provides the electricity. By utilising the steam to drive a turbine and produce electricity as well the single boiler is then producing both power and heat.

The 1983 Energy Act, which allowed for the first time the sale of excess electricity to the national grid, provided a boost for CHP, as will the new element of competition following privatisation.

The advantages of CHP are well attested and schemes utilising gas turbine drives, diesel engines standby generators and fluidised bed combustion of coal have all produced substantial savings.

While the introduction of all these energy-efficient techniques has been delayed by a combination of apathy, lack of capital and sheer ignorance, the future is looking more promising because energy efficiency is now securely tied to economic survival.

Energy efficiency has been a long time in coming to the processing industry.The economic facts of life will ensure it is here to stay.

Home insulation schemes

Far greater savings yet to be achieved

NEW building regulations, due to come into force early next year in Britain, represent something of a missed opportunity. Their energy efficiency provisions, watered down after strong representations from the nation's housebuilders, leave Britain in the same position as Sweden in the 1940s.

"The levels of insulation required by the new regulations are 50 years out of date," says David Olivier, principal consultant of Energy Advisory Associates. "They don't even address the use of energy for *electronic household* appliances, lighting and air conditioning, the main area of growth in energy consumption."

A few housing schemes built since the 1970s indicate what is possible. Some 200 houses have been built in Salford since 1971 with insulation four times the levels required by the present regulations and three times those demanded by the new regulations.

Early homes incorporated 175mm-thick cavity walls filled with polyurethane granuals, later ones using mineral fibre. *Floor and roof insulation is of* a similar thickness, with concrete floors at all levels. They also included mechanical ventilation in the kit chen and bathroom.

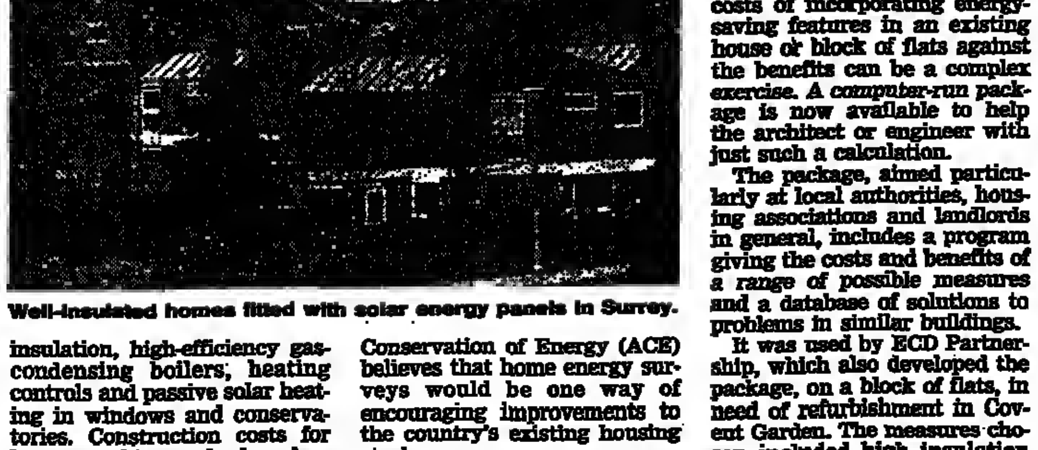
The initial houses cost seven per cent more than houses built to the minimum standards of the time, with the difference falling to three per cent. But there were was an 85 per cent saving on space heating, compared to houses built to the regulations of the time.

The Building Regulations Advisory Service of the Department of Environment has argued that the basis of measurement needs to be agreed before direct comparisons can be made between energy consumption and the cost-effectiveness of different building forms.

Nevertheless, some energy-targeting systems are already used successfully. One of the most viable is the Energy Cost Index, adopted by the Milton Keynes Development Corporation's Energy Park for several years. Energy performance standards set for the park also apply to housing throughout Milton Keynes

"The idea of a calculated trade-off is a concept that the index has been addressing for several years," says Neil Cutland, project manager for the National Energy Foundation, which is now working on a national energy rating system. The scheme will apply to both existing and new buildings, and a computer program will be available to give the rating.

So far, nearly 1,000 buildings have been built to the Milton Keynes standard, using thicker insulation, high-efficiency gas-condensing boilers, heating controls and passive solar heating in windows and conservatories. Construction costs for houses to this standard are less than one per cent higher than for conventional houses, and heating bills are 40 per cent lower.



Well-insulated homes fitted with solar energy panels in Surrey.

Phase two of the Energy Park, just starting on site, will comprise 600 homes in 25 separate projects, doubling the number of houses under the division's supervision. The energy target will be set at 100, 45 points lower than structures built to the revised regulations will achieve.

The projects will include low cost housing to meet the target index of 100 without exceeding current financial and marketing criteria; the application of super-insulation techniques to timber frame and traditional brick and block houses; demonstration of how the combination of solar and heat pump technology can save on running costs; the application of mechanical heat recovery and ventilation systems to well insulated houses; the use of 'intelligence' in houses and the links between information technology and energy-saving.

However, yet greater savings in the nation's energy bill could be achieved by improving the energy efficiency of houses already built.

For example, less than 10 per cent of existing homes incorpo*rate the levels of loft insulation* required even by the new regulations. The Association for the Conservation of Energy (ACE) believes that home energy surveys would be one way of encouraging improvements to the country's existing housing stock.

Energy-supply companies, or utilities in the United States are legally required to provide their customers with a low cost, and frequently a free energy survey of their homes. This provides unbiased advice on exactly how to improve the energy efficiency of their homes.

In Denmark, subsidised energy surveys were part of a scheme which also offered householders grants for energy efficiency improvements up to a cut-off date of January 1, 1985.

Since *then, the seller of* a house must inform potential buyers of how energy efficient, or inefficient the house is, and specify how much it will cost to improve it to an acceptable standard. Within four years of its introduction, half of the country's building stock was surveyed.

Last year, the European Commission proposed a directive which would have introduced the benefits of the scheme to the UK. The British Government vetoed the proposal.

"This is very short-sighted," says Andrew Warren, director of ACE. A home energy survey scheme, combined with a British standard efficiency certifi*cation* or rating to clearly convey to buyers the energy efficiency of a house, is "an urgent necessity" in the UK.

However, weighing up the costs of incorporating energy-saving features in an existing house or block of flats against the benefits can be a complex *exercise*. A *computer-run* package is now available to help the architect or engineer with just such a calculation.

The package, aimed particularly at local authorities, housing associations and landlords in general, includes a program giving the costs and benefits of a range of possible measures and a database of solutions to problems in similar buildings.

It was used by ECD Partnership, which also developed the package, on a block of flats, in need of refurbishment in Covent Garden. The measures chosen included high insulation *for the roof*, floor and flank walls; new, well-sealed windows and draught sealed doors; extra insulation of bathrooms to reduce heat loss and condensation; fitting high-efficiency boilers, with good controls; and proving energy advice and operating instructions to householders.

Fuel bills monitored after renovation showed a reduction by 47 per cent on average against standard refurbishment; average heating bills of £178 per year, affordable to most tenants; an additional *capital cost*, paid back in just over a year, with no complaints about condensation.

Alastair Guild

Office buildings pose complex energy-cost problems

No simple solutions

THE UK Government appears confident that 'market forces' can be relied on to improve *energy consumption in commercial* buildings. Yet large multi-disciplinary practices, combining the expertise of architects and engineers, generally report that less than 10 per cent of industrial and commercial clients specify energy efficiency in their brief.

Fuel bills are met by occupiers, not developers of speculative office schemes, which account for 90 per cent of commercial office development in the UK. That is seen as one reason for many property companies not specifying energy efficiency, though energy saving *features often* have relatively short payback periods and can free-up designs. (The use of natural, rather than mechanical, ventilation will dispense with the need for ducting, for example).

Other developers consider the savings that could be made only after the design is finalised or the building is complete and occupied. Measures taken to remedy energy losses can then be expensive, if they are indeed feasible.

"No amount of sophisticated energy management systems can make a bad design good," comments one architect.

Neither can the building regulations be relied on to promote high standards of energy efficiency – "they represent the lowest common denominator," says David Lush, technical director of Ove Arup. "Those practices whicb are interested in energy efficiency are already working to higher standards."

He favours the much tighter CIBSE energy code for energy 'targetting' of buildings.

That said, designing an energy-efficient building, which, particularly if speculative, may have a variety of occupiers with differing levels of energy consumption, is not an easy task – "the regulations don't recognise the need for flexibility," says David Lush.

For instance, the occupants of one floor may use a lot of office machinery such as computers which release a considerable amount of heat, while other occupants may use much less. Those varying amounts of internal gain should be reflected in the levels of insulation for retaining heat in win*ter and reducing solar gain* in summer.

There is now research into a variety of multi-layered glass, some coated, some with fillings between the layers, to control light and thermal transmission properties of glass. This should help buildings cope with variable tenants and variable loads, suggests David Lush. The ultimate would be a building fabric whose U-value could be altered at will.

Co-ordination of the aesthetic, structural and services aspects of a building, at the outset, is of paramount importance when seeking energy efficiency. Then, as the design develops, sophisticated compnter techniques can be deployed to model how a building will perform in a range of climatic conditions.

"If brought in early enough, particularly on a green field site, we can affect such fundamentals as the orientation of a building and the position of glazing," says Frank Mills, an engineer with the multi-disciplinary practice, Building Design Partnership, (BDP). The position and shape of a building and its relation to the micro-climate can account for five per cent of fuel bills. Cube shapes are generally more effective than a podium or tower in minimising heat loss.

An atrium on the south east of a building, for instance, will act as a thermal buffer, trapping solar gain and providing an additional insulation void between the outside and inside.

The Energy Technology Support Unit (ETSU) is carrying out a series of 12 studies of passive solar design for commercial buildings. BDP is project manager.

A headquarters *building for* the Central Electricity Generating Board, at Bedminster Down, designed by Arups, is a good example of what can be achieved if energy efficiency is included in the primary brief.

Another fundamental aim of any energy-efficient design must be to avoid the need for mechanical air-conditioning and ventilation. Once a design relies on air conditioning, for every additional square metre of internal heat gain you will need another square metre of air-conditioning.

"There *comes* a *point* where you cannot reclaim any more internal heat gain and it is cheaper to let more heat out through the facade, and use less air conditioning," says David Lush.

Offices can be naturally ventilated, provided that nowhere on the office floor is further than 6m from opening windows. Such a layout has to be accommodated within demands for a given amount of office space.

A certain amount of mechanical air-conditioning is sometimes unavoidable, where there is a large internal heat gain from office machines or where, as in central London, buildings are sealed to cu t down traffic noise – "but, all too often, a letting agent will advise a developer that to get a certain rental-return, a building needs air-conditioning," says Frank Mills.

Advanced energy systems cannot overcome poor building design

Some glazed-over, covered shopping centres already make use of the thermal-lag properties of large areas of concrete to provide a 'natural' environment.

A shopping centre in Carlisle was designed by BDP to allow for air movement through the centre, with banks of louvered glass opening and closing in response to temperature changes. The developer saved £250,000 on the capital cost of an air conditioning system, and £50,000 in running costs. According to BDP, every extra degree centigrade provided by air conditioning adds 10 per cent to a building's energy costs.

The choice of heating system can also have an important bearing on energy consumption. Condensing boilers are perhaps the most recent development. These recover heat from the flue gases.

In traditional boilers, these gases, which reach temperatures of 250 deg C, are wasted. Condensing boilers offer efficiencies of over 90 per cent, compared with a traditional gas boiler of between 65 and 70 per cent, and 'high-efficiency' boilers averaging 75 per cent.

"Any mechanically-heated building should consider space temperature controls, and 'local' controls which permit temperatures to be altered for a given area within the building," says David Lush. "Plant and services need to be continuously maintained to achieve the full benefits of a well designed building."

Equally, sophisticated building management systems must be monitored by the right people within the building, says Mr Lush. Today's BMSs can control and monitor everything from compensators in the heating system to fire and security.

They are also moving away from printing out reams and reams of paper which no one ever reads, to exception reporting. The manager responsible will only hear from the system if the building is 'behaving' abnormally, if, for example, energy bills are much larger than the system expects.

They also allow those monitoring the building to interogate the system locally or remotely – so, a fault in a heating system during the night, for example, can be picked up by an on-duty engineer at his home.

Large building management and control systems cost between £1m and £3m – "all too often, clients over-specify, and seldom use many of the features – or else use them incorrectly," comments Frank Mills.

Nevertheless, many manufacturers offer BMSs at costs below those for conventional controls, with a great deal more operational benefits.

UK manufacturers are among the world's leaders in this technology, partially due to the encouragement of the Energy Efficiency Office. It has been a key factor in achieving energy efficiency in the long-term.

Alastair Guild

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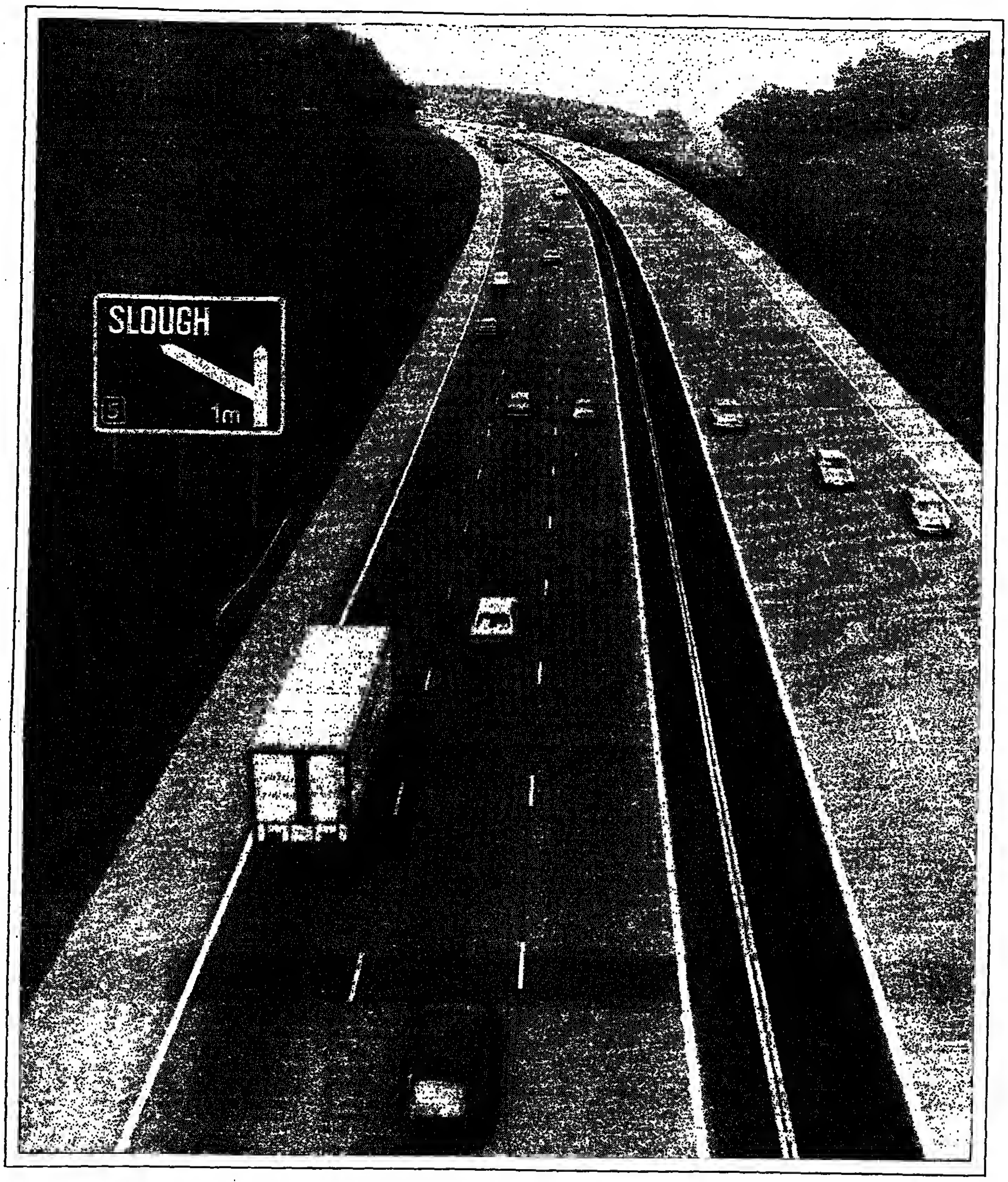

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Wider use of "least-cost" services by the electricity industry

US incentives to save resources

EPRI is the acronym for the Electric Power Research Institute, the umbrella body which undertakes both technical and consumer research by the generators and distributors of the US electricity industry – and is therefore in the prime position to know what is happening on the ground.

The lead story in EPRI's summer newsletter was unequivocal. Electricity resource planners in practically every one of the 50 states in America are using, or considering using, least-cost planning.

As a result, a substantial number of electricity consumers in the US are benefitting, directly or indirectly, from utility-backed promotional programmes intended to help them save on their fuel bills.

Least-cost planning – whilst practically unheard of as an exercise within the British electricity industry – has been around for a decade or more in the US. In essence, it assumes the adoption of a planning approach which balances supply and demand-side resources to meet society's energy needs at the least cost.

It differs from traditional planning methods by placing much stronger emphasis upon energy conservation, load management and other demand-side management programmes as means of satisfying energy demand.

Its fundamental – and logical – premise is that no consumer is interested in purchasing units of electricity per-se. He or she is concerned to acquire the services which electricity provides: light, heat or motive power.

If that level can be achieved with the use of fewer watts of electricity, then the consumer is the more likely to be satisfied. Individual electricity users have benefitted from this developing forecasting science in many ways.

Essentially, they have been induced by means of a variety of incentives – both exhortatory and practical – to undertake investments in energy efficient measures which have reduced the amount of electricity they consume.

There are now many examples of programmes run by utilities throughout the US to encourage their commercial, industrial or even residential customers to "invest to save."

A significant barrier to the attainment of the full cost-effective potential for conservation is lack of information, both about the techniques of electricity savings and their costs and benefits.

Because of the complexities and the unique characteristics of different buildings or industrial processes, site-specific information as provided in an energy audit is frequently the best way to provide the detailed information that consumers need.

Since 1981, residential customers throughout America have been able to acquire a low cost on-site energy audit from their gas or electricity company, at a maximum cost of $15 – and frequently free.

Experience with this audit scheme has shown that those utilities that have produced both the highest penetration rates, and the most significant degree of cost-effective investment in electricity conservation measures, are those that offer a supporting package of financial support or incentives.

Encouraging the take-up of such surveys can lead to some imaginative marketing devices: the Tennessee Valley Authority, for example, had representatives in supermarkets handing out loaves to encourage the use of audits, using the slogan *Free Bread For Free Bread.*

The potential for electricity conservation through improvements to the efficiency of lighting in the commercial sector is considerable. One example of an incentive programme is that offered by Wisconsin Electric Power Company, a utility that undertakes its planning within a least-cost framework (and is regarded, according to its Standard and Poors' bond rating, as one of the most effectively-managed in America).

This utility offers consumers either rebates or low interest loans under the generic title, "Smart Money Energy Program," for the conversion of existing luminaries and ballasts for high efficiency units.

These financial incentives cover fluorescent lamp conversion; compact fluorescents; energy efficient ballasts; and specular optical reflectors, which increase the efficiency of fluorescent fixtures sufficiently to allow delamping from 30 to 50 per cent and current-limiting devices. Another example of a lighting incentive programme is that offered by the Bonneville Power Administration (BPA), serving five states in the Pacific North-West.

This programme was designed to improve street lighting efficiency. It offered financial incentives of up to $300 per fixture for the replacement of mercury vapour or fluorescent lighting to high, by low pressure sodium, or metal halide lamps.

This programme led to the conversion of 75 per cent of the available lighting fixtures in the North West region. It was responsible for saving on average 7.7 megawatts at a purchased cost of 2.3c/kwh. This particular programme was one of those cited in evidence at the public inquiry in Somerset into the proposed Hinkley C nuclear power station.

Susan Hickey, BPA's director for Energy Resources, told the inquiry that BPA has now invested some $590m to help its customers to reduce energy wastage.

Within five years, the cumulative savings have reached 220 megawatts, the equivalent of a small coal plant. By 2010 the programme would have saved 2,750 megawatts of electricity.

Put in British terms, this programme would have saved the equivalent power generated by four Hinkley C power stations in their lifetimes, at a quarter of their cost.

Susan Hickey denies that the exercise has been undertaken as a public relations gesture – "we are in business. You don't spend $700m on a passionate enthusiasm. You do it as a good business investment."

There are numerous other examples of electricity conservation programmes in the commercial and institutional sector are manifold: free energy audits; rebates or loans for high-efficiency air conditioners and chillers and controls; and rebates or loans for "custom-made" package of efficiency improvements.

Least-cost planning has crossed the Atlantic. In Norway, for example, Oslo Lysverker (the Oslo City Light Company) offers both commercial and industrial consumer grants of up to 15 per cent of the cost of the conservation package (up to the avoided cost of supply) with a subsidised loan covering the remaining 85 per cent of the project cost.

In the US industrial sector, programmes have been developed covering rebates and loans both for individually proposed packages of efficiency improvements, and for specific end-uses such as high efficiency electric motors or insulation of electrically-heated or cooled liquid tanks.

The world's largest integrated utility, Pacific Gas and Electric of California, replaced either existing or failed electric motors with certain high-efficiency motors. The utility paid rebates of $10 per horsepower of the replacement motor.

Wisconsin Electric Power offers financial incentives for a range of industrial end-uses, such as a rebate of $0.50 per sq foot, or a loan of $1.88 per sq foot for the insulation of electrically-heated or cooled liquid tanks.

The science of measuring supply versus demand investment is a developing and complex one, even when only financial considerations are included. This summer the Oregon Public Utilities Commission additionally required all their local utilities to incorporate all "external costs," including possible environmental damage, when planning for new resources – an echo of Prof. Pearce of the Department of Environments' plans for Britain.

During the passage of the electricity privatisation bill through Parliament this summer, such interest was expressed in "least-cost resource acquisition" that the House of Lords voted to incorporate it officially into the British structure.

The Government Whips eventually watered this initiative down in the Commons, but only after some extraordinarily impassioned speeches by Conservative supporters of the concept. The then-Energy Secretary, Mr Cecil Parkinson, sought to persuade the House that the concept was foolish and discredited.

"Let us hear no more nonsense about that system being universally adopted throughout the United States," he argued.

"It has been adopted by only three states that have competition in generation. It has been ignored by more than 40 states and is widely regarded by many people as a disaster" – a far cry from the figures the US electricity industry's own figures. Within three days of that speech, Mr Parkinson had changed his Cabinet portfolio.

Andrew Warren

The author is director of the London-based Association for the Conservation of Energy.

Energy-saving in Canada: an example of energy-efficient lighting in use at the pool area in Valhalla Inn, Kitchener, Ontario. The use of such lighting in buildings throughout Ontario's commercial sector could save up to 900 megawatts of power.

Ken Cooper highlights contract energy management

Specialists to the rescue

CONTRACT ENERGY management (CEM) is the newest solution to the oldest failing of British companies in tackling energy efficiency.

Since 1985, CEM companies have been offering a comprehensive off-the-shelf solution for those in industry and commerce who are unwilling or unable to do it themselves.

The concept is simple: as the main barriers to energy efficiency are lack of technical know-how, lack of finance and ignorance of what technology can achieve, the CEM specialists remove these barriers on behalf of their clients by providing the know-how the finance and the technology, as well as shouldering the financial risks.

They design, instal, and maintain the energy-saving measures and, in return, they receive a share of the money they save

Complex contracts

The idea, which originated in the US, is called third party financing in Europe, and savings financing in Canada, but whatever the name or the country, the contract itself is much more complex than the concept, and usually takes anything from six to 18 months to negotiate.

Not every company is a suitable case for treatment. Some may have an energy bill too small to yield enough savings to pay for the investment; others may use so much energy that they already have their own in-house expertise. And even where the circumstances are right in theory for a performance contract practical difficulties can arise.

For example, a company might not want to tie itself to one source of energy efficiency supply for several years, while customers, particularly in industry, might be reluctant to devolve so much responsibility for their operations to an outsider.

There may be disagreements over how to calculate what the actual energy savings are and who is responsible for them.

In general, the contracts offer four basic options:

■ Shared savings: where energy cost savings are split between GEM specialist and customer.

■ First out: where all savings go to the GEM supplier until the project costs are recovered.

■ Contract energy management: where payments are linked to previous energy bills.

■ Guaranteed energy-saving leasing.

The nine companies providing CEM services came together in 1986 to form the Contract Energy Management Group, within the Energy Systems Trade Association, (ESTA), at the same time that the UK Government launched Energy Efficiency Year.

It was no co-incidence. Both initiatives grew from the realisation that Britain was doing too little, too late, to match the energy efficiency of its industrial competitors.

But while Energy Efficiency Year is a largely forgotten footnote in the history of advertising, the CEM initiative took root – and, since then, has branched out into all sectors of the economy. The members of the CEM Group are currently looking after energy bills worth £120m, almost entirely within the private sector.

The various members of the group have entered the specialist sector from various directions.

The two biggest players are oil company subsidiaries: BP Energy and Emstar (a Shell subsidiary). Others have grown out of established suppliers of heat services, such as Associated Heat Services, Boiler Operation and Management, and Resource and Utility Control.

Some have evolved from mechanical and electrical engineering, such as Matthew Hall and Planned Maintenance Engineering.

The Inenco Group has a background in energy consultancy. Lorne UMC and Universal Energy complete the membership of the group which has established CEM as a as reputable "no cost" route to energy efficiency.

The growth of some players in the UK has certainly been much slower than it was for comparable companies in the US, but this says more about the apathy and ignorance of the energy users than it does about the effectiveness of CEM itself.

Growing awareness

There has, nevertheless, been a steady evolution of awareness about what can be done. Contracts negotiated and put into operation during the past five years demonstrate that substantial savings can be made in sectors as diverse as manufacturing industry, education, hotels, office blocks, and the residential sector. In some cases savings of 40% on an energy bill are possible.

There have also been two developments which are likely to accelerate this evolution into something closer to revolution.

The first is the new opportunities in the public sector. Until recently, CEM companies were barred from operating in the public sector in the UK by Treasury rules which treated contract energy management as a financial lease which could not therefore receive government approval. New guidelines introduced in 1987 have removed this barrier and given access to the public sector where on a conservative estimate £400m worth of energy a year is wasted.

The symbolic breakthrough came last year when Lancashire County Council became the first local aithority to sign a contract energy management agreement, a seven-year contract aimed at making fuel savings of 41 per cent in 13 public buildings in Blackburn.

The second development is a fundamental sea-change in the British energy management industry brought about by the privatisation of electricity, the new prospects for large-scale combined heat and power schemes and the fresh credibility accruing to energy conservation from environmental concern.

CEM companies are looking to take advantage of these developments by broadening their horizons. While mainstream CEM contracts will remain the core business, they will be increasingly looking to offer new services like CHP schemes fee-based consultancy, tailor-made energy management services, as well as extending CEM technology into the construction industry.

In particular, they will be seeking to extend the use of building energy management systems which have proved to be one of the most successful technologies for good energy efficiency practice.

Contract energy management is no universal panacea, but as Britain enters the 1990s there are two underlying factors which will ensure it a higher profile. Energy efficiency will be a major management tool for industry and commerce in an increasingly competitive and environmentally-sensitive Europe.

At the same time, the market limitations to cost-effective energy saving will remain. To prospective energy-savers encircled by technical barriers or lack of finance, the GEM concept is ready to ride to the rescue like an economic cavalry with the motto "No Risk Savings," emblazoned on its banner.

John Mason on plans for electricity privatisation in the UK

Tough political challenge

"WE ARE all 'green' now – and more must be done" was the nub of one Tory peer's argument as he helped defeat the Government and stiffen provisions in the electricity privatisation legislation to promote energy efficiency.

This neatly summed up the position in which Mr Cecil Parkinson, the former Energy Secretary, found himself when steering the Electricity Bill through Parliament, earlier this year.

In drawing up the legislation, it was first seen as a challenging exercise to maximise competition and the operation of market forces when turning a public monopoly over to the private sector.

What Ministers could not know then was that public concern about the environment, and specifically the greenhouse effect, would escalate dramatically following the Prime Minister's watershed speech to the Royal Society last autumn.

Reflected in a growing cross-party consensus, it was to pose the largest political challenge to their proposals as the bill went through Parliament.

Strong argument

The need for a strong energy efficiency policy to be imposed on the privatised industry was argued strongly by opposition MPs as the bill began in the Commons. Mr Malcolm Bruce, the Democrats Energy spokesman, laid down a welter of amendments in committee calling for more energy efficiency and conservation initiatives to curb producers, educate consumers and increase the use of renewable energy sources such as wind and tidal power.

However, at that stage the questionable economics of nuclear power took centre stage and Ministers, arguing the party line that it could be left to competition to increase energy efficency – and relying on their large in-built majority – comfortably saw off the environmental challenge.

It was not until the bill reached the Lords that serious trouble arrived. Outside pressure groups such as Friends of the Earth and the Campaign for the Protection of Rural England heavily briefed the opposition parties, crossbenchers and independent-minded Tories.

Peers had by then also read the report on the greenhouse effect prepared by the Commons Energy Select Committee. This warned of the grave dangers posed by global warming and called for urgent Government action.

The result was a Government defeat as peers amended the bill to give the Energy Secretary and Director General of Electricity Supply duties and powers to enforce greater energy efficiency in the planning of new power stations and running of existing ones.

The most significant defeat inflicted to the bill in the Lords, it led to threats of a major rebellion of Tory backbenchers in the Commons and therefore behind the scenes talks to reach a compromise solution.

By this stage, the bill was running into problems on other fronts. Ministers were trying to reassure public and City fears over the nuclear industry, while civil servants were attempting to render workable the complicated – and later abandoned – pooling system between generators and distributors that was supposed to provide the grid with the cheapest powerat any one time.

The compromise reached was sufficient to quell the threatened rebellion. Mr Parkinson argued the Lords amendment was so technically defective in assuming the powers for the Energy Secretary and Director-General that it was a "dog's breakfast." It would also jeopardise continuity of supply, he said.

Instead, he offered to enable the Director-General to set and monitor emission targets, but without any powers of enforcement.

Amendment reversed

Despite protests from opposition parties and the expressed reservations of some Tory MPs, it was accepted and the Lords amendment reversed.

The electricity industry will therefore be sold off with little extra energy efficiency and environmental constraints than those originally envisaged.

However, there is no doubt that more initiatives on both energy efficiency and the environment that will affect the electricity industry will be introduced in the near future.

There is a tacit acknowledgement within the Department that the argument used until now – that competition can be left to increase energy efficency – has inherent weaknesses.

Market forces can encourage further pollution - if dirty coal is cheaper to burn than cleaner coal, then dirty coal will be bought.

But Mr John Wakeham, the new Energy Secretary, has firmly signalled the Government's intention to act further. In speeches in both Montreal and Vienna, he made plain that energy efficiency will become an increasingly important plank of policy – to save money as well as combating environmental problems.

However, the precise form the new measures will take is yet to be decided.

There is a strong determination not to penalise British industry by imposing unilateral measures which would increase costs and weaken UK manufacturing competitiveness.

Even EC-wide legislation regarding the greenhouse effect is regarded as too parochial. Many in the Department see global action as the required remedy and point to the Prime Minister directing many of her environmental remarks towards emergent industrial nations, such as China.

But Mr Wakeham has now recognised increased energy efficiency as the most cost-effective way of cutting carbon dioxide emissions.

Reflecting the policy of "the polluter pays," he has singled out developing the market mechanism and bringing fuel prices more into line with their true costs, including those to the environment. It would appear he prefers this sort of market approach to further regulation.

Whether this would include a carbon tax to discourage fossil fuel-burning, is uncertain.

A possible increase in reliance on nuclear power, more use of natural gas and the further development of renewable sources have also been singled out as areas for future Government initiatives.

A question of costs

The question this begs is who meets any increased costs forced on the privatised electricity supply industry in the future?

Clear indications as to the answer can be seen in the Government's approach to improving water quality, where it has made clear it is the consumer who must pay for a better environment.

The distribution companies will have a statutory duty to maintain supplies and keep the lights on. If the costs to the industry start climbing, it is a fair assumption that the Director-General, who will regulate electricity price rises, will look sympathetically at passing on the increases to those about to boil a kettle.

The latest systems can halve lighting energy costs, says **Lynton McLain**

New opportunities to cut light bills

THE DAYS when lighting was a neglected area for energy conservation may be over, as new approaches and technology show that energy consumption for lighting can be halved and the sophistication of lighting systems increased.

In the US, lighting control systems now account for about 15 per cent of the total market for building control systems.

The market for occupancy-sensors for local lighting control in the US, estimated at $15m last year, is believed to be growing at a rate of 15 to 20 per cent a year, according to market analysts, Frost and Sullivan.*

In the UK, the cost of lighting for industrial, commercial and domestic consumers amounts to £1.6bn a year, equivalent to 15 per cent of Britain's total energy consumption.

The light bill pays for 35,000m kilowatt hours of electricity, yet the notion that light was something that could be used efficiently or wasted, just like energy, is only relatively recently creeping into the consciousness of consumers.

Lighting accounts for approximately 40 per cent of the electricity used by offices and commercial buildings in the UK and almost 60 per cent of the electricity used in buildings for education and health, according to the Building Services Research and Information Association. These figures indicate the opportunities for improvement.

Lighting accounts for about 40 per cent of electricity used in offices

It is easy to take lighting for granted: it is universal, it is benign, and, to the untrained eye, it appears not accessible to improvement.

Yet over the past few years, lighting has changed quite dramatically in its efficiency and its scope for innovative installations.

The industry has moved on from the dark days of the 1970s, when UK Parliamentary select comittees probed the industry on its efforts to sell long life light bulbs. It was suggested by critics of the industry that not enough was done by the lighting companies to develop and promote long life lamps.

These lamps have been available for some time as have energy efficient lamps based on miniature flourescent tube lamps, which are up to five times more efficient than conventional filament lamps, giving the same light output for a fifth of the energy consumption.

Philips Lighting and Thorn Lighting, two of the large manufacturers in Europe, both regard the control of lighting, using electronics and the development of a systems approach to the design of lighting installations, as two of the main thrusts of progress in the industry for the immediate future.

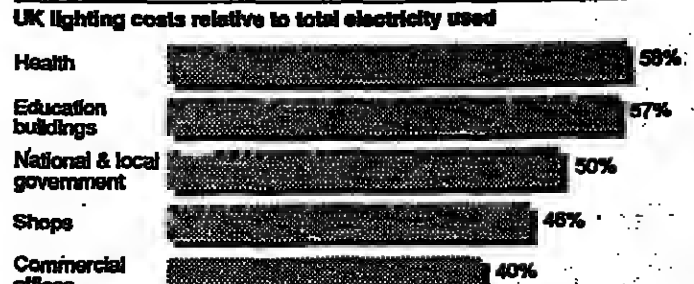
In the field of fluorescent lighting, a five year old development that is gaining popularity in commerce and industry is the high-frequency lamp. This is a fluorescent tube which operates at 28,000 cycles a second, instead of the mains electricity frequency of 50 cycles a second.

The effect of the higher frequency is to make the light from the lamp more comfortable to work under, by reducing the oscillations. The high frequency flourescent lamp is also 30 per cent more efficient.

The high frequency lamp technology offers the lighting manufacturers opportunities for developing the way the lamps are used. The lamps can be regulated and their light output linked to the amount of natural daylight. If the amount of light coming from a high frequency fluorescent tube is regulated from the maximum (100 per cent) output to about 10 per cent of this maximum, the potential energy savings could be as great as 70 per cent compared with conventional fluorescent tubes.

Lighting costs

UK lighting costs relative to total electricity used



Source: Building Services Research and Information Association

The latest high frequency tubes are filled with argon, rather than crypton gas, and a typical one-inch diameter tube would have a power consumption of 50 watts compared with 65 watts for a conventional tube, for the same light output. The electronic equipment needed to go with a high frequency lamp is expensive and can cost about £25 for an electronic "ballast" suitable for running twin fluorescent tubes.

Philips Lighting says that the pay-back time for the high frequency lamps with electronic controls would be within two years. The tube itself costs about the same as a conventional fluorescent tube.

Even the use of efficient light reflectors can help to reduce lighting costs, particularly in the renovation of older buildings. Here, approximately half of the 28m flourescent lamp-fittings installed in UK industrial and commercial buildings are of old and inefficient design, according to the US multi-national company, 3M.

Many of the older lighting installations were designed before environmental and energy considerations focussed attention on the efficient use of energy for lighting.

The US market for occupancy-sensors to control lighting is worth $15m a year

The 3M company makes a reflector, known as Silverlux, which it claims can help to reduce the number of fluorescent lights that need to be installed in a building.

The metal reflector has a highly reflective silver coating developed by 3M. The shape of the reflector is designed specifically for each installation and is designed to achieve "specular reflectivity," where the angle of light from the fluorescent tubes equals the angle it is reflected out of the light fitting.

Mr Mike Blacksmith, who works for 3M on its Silverlux designs, said the the use of silver and the accurate design for the shape of the reflector results in 96 per cent of the light from the source being reflected. This compared with as little as 20per cent with some of the light fittings installed over the past decade or so.

The old designs of reflector were inefficient because they often used materials that absorbed rather than reflected light and their design was often crude.

Ernst and Young, chartered accountants, halved the cost of running the lighting at its headquarters in London after the building was refurbished and the silver coated reflectors were fitted. The company saved £82,626 from its lighting bill in one year by halving the number of fluorescent lamps used, according to Mr David Duddell, the manager for building services at Ernst and Young.

The changes in lighting also led to a reduction of £16,000 in the costs of air-conditioning, because of the reduced output of heat from the fewer lamps in use.

**US Building Control Systems Market, by Frost and Sullivan, New York, (tel.212-233-1080).*

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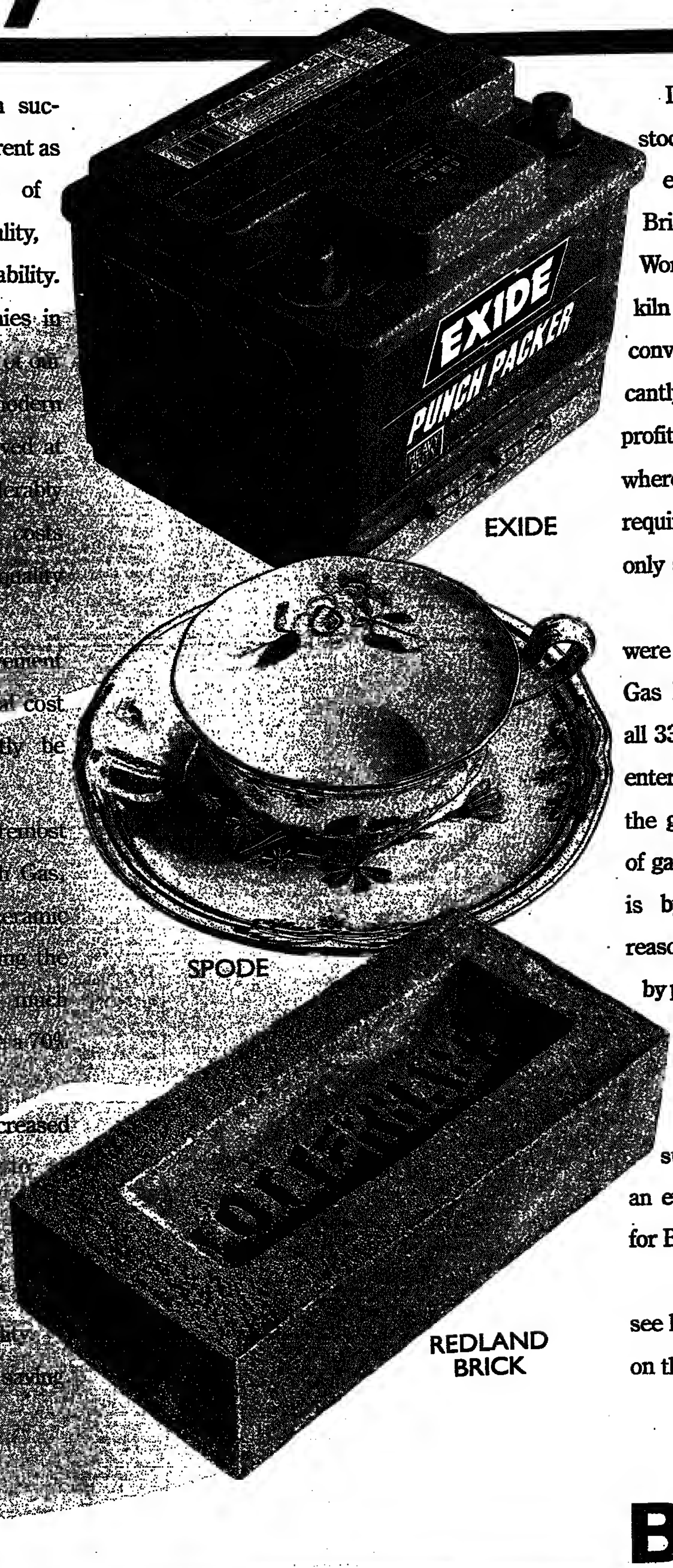


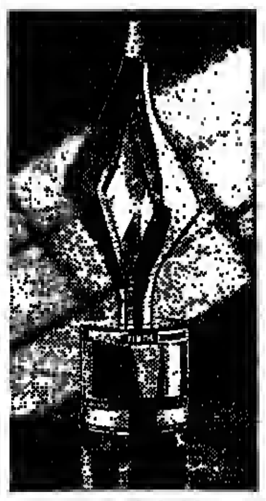
EXIDE

SPODE

REDLAND BRICK

It was demand for its excellent yellow stock bricks, matched with a keen eye for energy efficiency, that converted Redland Bricks to British Gas at its Otterham Works in Kent. The existing butane fired kiln and dryer have been modified and converted to natural gas, improving significantly the capabilities, performance and profitability of the Works. So much so, that where once 20 therms of butane were required to dry 1,000 bricks, it now takes only six therms of natural gas.

Not surprisingly, these companies were amongst the winners of this year's Gas Energy Management Awards. In fact, all 331 of the companies who entered are benefitting from the greater energy efficiency of gas. Naturally, British Gas is by no means the sole reason for their success. But by pledging our commitment to providing a proven service, as well as a reliable supply of competitively priced fuel, we continue to make a substantial contribution towards achieving an even more efficient and profitable future for Britain's Industry.



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ENERGY IS OUR BUSINESS

Peter Knight on combined heat and power plants

Scope for reducing 'greenhouse gases'

EFFICIENT conventional power stations are inherently inefficient. At best, 40 per cent of the fuel is converted into electricity and the rest goes to waste as low-grade heat.

This level of efficiency was acceptable when fuel was cheap and nobody bothered about global warming. But with the dramatic change in attitudes to environmental issues, the spotlight has turned on e well-established but relatively obscure business of running power stations that sell both power and heat.

These are known as combined heat and power (CHP) plants and are usually designed to serve a town, part of a city or an industrial estate.

The cost of continental plants is usually borne by government or local authorities. The UK Government is keen to encourage CHP plants but it insists they must be self-financing.

CHP plants can convert up to 85 per cent of the fuel into a saleable commodity.

Already, 57 West German towns have CHP plants and there are 35 in Finland, 20 in Denmark, 17 in Sweden, 10 in Austria, seven in Italy, four each in Belgium, Switzerland, Holland and France.

Only Nottingham in the UK has e working CHP station. Leicester and Sheffield are in the process of planning similar plants.

There are three main types of CHP plants.

■ *Small-scale commercial* plants are used to supply institutions such as hospitals and old-age homes with heat and electricity. The Devon and Cornwall police headquarters in south-west England, for example, has a 132kw unit.

■ Industrial plants supply a large factory or commercial estate. The Cyanamid pharmaceuticals factory in Gosport, UK, has its own CHP plant; and Slough Estates, a large privately-owned light-industrial estate to the west of London, has installed a new clean-burn coal-fired plant. Energy is sold to businesses on the estate.

■ Urban plants, popular in continental Europe, are designed to supplement the electricity needs of towns and to supply steam to industry or heat to nearby housing estates. These plants sometimes double as domestic-refuse incinerators, where rubbish, rather than gas or coal, is the fuel.

And it is the growing problem of what to do with urban refuse that has contributed to the new interest in CHP. This is because dump-sites near cities are scarce and it is expensive to transport the refuse to far-away dumps.

There are about 500 energy-from-waste incinerators around the world, most in Western Europe, the US and Japan, but some also in Singapore, Malaysia and Soviet Union. An 18-year old plant in Gothenburgh, Sweden, burns 1,000 tons of the city's refuse every day and supplies 100MW of heat for district-heating systems and 14MW of electricity. A similar plant consumes the Swiss town of Lusanne's rubbish and delivers heat and power in return.

"If you just want to generate electricity, it's more economical to use a fossil fuel because the plant is cheaper to build," says Bob Wheatley of Martin Engineering Systems, e UK subsidiary of Martin Munich and CNIM of France. Martin is a leading maker of refuse incinerators.

"Refuse is the worst form of fuel you can imagine and that's why the energy-from-refuse plants are expensive to build," says Mr Wheatley. "The only way it will generate energy on a competitive basis is if the plant gets paid for the refuse it burns."

Although the world's first refuse-burning CHP plant was built in Oldham, Lancashire in 1895, the UK has relatively few plants because of the high capital costs involved and, till now, the country's cheap landfill dumping sites.

The cost of continental plants is usually borne by government or local authorities. The UK Government is keen to encourage CHP plants but it insists they must be self-financing. Raising the money is difficult because a large-scale plant burning rubbish, for example, could cost around £70m and will only be viable over a period of 15-20 years.

The UK solution is to form consortium of equipment suppliers, project managers, plant constructors, energy wholesalers, energy customers (usually local authorities) and banks. Members of the consortium finance the feasibility study and if a decision is made to proceed e utility company is formed by interested members.

This is the method used in Leicester (which has completed its study) and in London where three boroughs have joined a consortium that plans to build a £70m refuse-fired CHP plant on a disused dog-racing track.

When built, the London plant, now called the South East London CHP Consortium (Selchp), will be similar to CHP plants on the Continent and in the US and Japan. At its heart will be an incinerator made by Martin. This uses a stoker-grate to ensure efficient combustion of the refuse.

The grate, on which the fire burns, looks similar to an escalator. The refuse is thrown on the fire and the mobile grate stirs and pushes unburnt material to the centre of the fire.

Air is blown in from underneath the grate. Combustion gases reach about 1,000 degrees centigrade and this heat is used to make steam which drives turbines.Some of the steam is used to heat water which will be pumped along specially-laid pipes to housing estates nearby.

The flue gases will be "scrubbed" to meet the new emissions standards of the European Community. Ash produced by the plant will be collected and buried in licensed sites.

The Selchp plant will burn about 400,000 tons of refuse a year and produce 33MW of electricity and 75MW of heat. The boroughs intend to buy the hot water to heat high-rise council housing; and the local electricity authority plans to buy the current generated by the turbines.

But the plant will only be viable if the boroughs pay the consortium e "gate fee" to burn their rubbish and also guarantee to supply sufficient refuse for the life of the plant.

There are, of course, possible environmental problems which may be caused by burning refuse in an urban area. But operators say there has never been a major emission of poieonous gases from such syetems anywhere in the world. Local communities are often concerned about mishaps and industrial accidents. This is why Mr Wheatley says the problems associated with building these plants are not so much technical as psychological.

Environmental groups, such as Greenpeace, are against refuse incinerators but the current mainstream feeling is strongly in favour of using refuse-fired CHP plants to solve the even bigger environmental problems of handling urban waste.

Environmental groups, such as Greenpeace, are against refuse incinerators

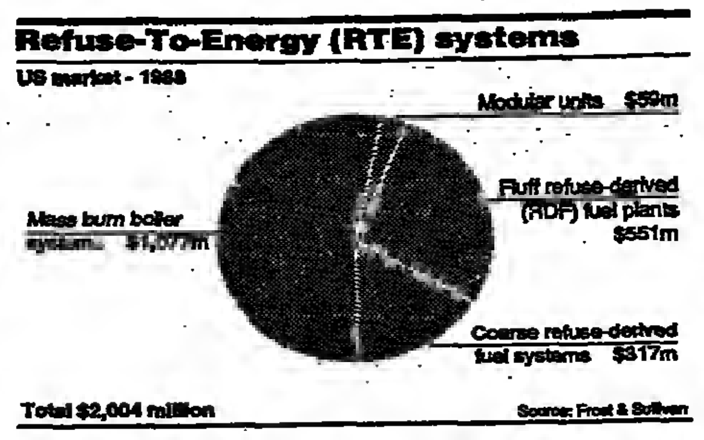
Backers are CHP, such as the UK's CHP Association, also see great sales opportunities in CHP's ability to reduce the amount of greenhouse gases by delivering greater efficiencies.

The association argues that increased use of CHP in the UK could help cut the country's carbon dioxide emissions by a third.

Other greenhouse gases, such as methane emitted from rubbish dumps, could also be reduced if the methane was used to fuel a small CHP plant.

Refuse-To-Energy (RTE) systems

US market - 1988



Growing US market

SALES of refuse-to-energy systems are becoming more popular in the US, as the incineration and landfills for rubbish are increasingly prohibited. Sales of capital equipment and services in the US will total $25.5bn in the period from 1988 to 2005, according to a report from Frost & Sullivan, market analysts. Substantial advances in RTE technology will occur and such systems will become increasingly economical, adds the report.

Energy management systems

A long way to go

THIS YEAR British businesses alone will spend £10bn on energy to run their heating, lighting and industrial processes.

But in spite of the savings they could make by cutting consumption, companies have been slow to introduce energy management systems.

The pattern is similar across the whole of Europe. This year, West German will be the only western European country where sales of energy-saving devices will top the Ecu 100m mark.

The European energy efficiency business is still in its infancy because, until the early 1970s, fuel to heat homes and power industry was relatively cheap and abundant. But the subsequent oil crisis forced industry and services to recognise that energy had to be conserved.

It was the two big US companies, Honeywell and Johnson Controls, already well-established in North America, which best took advantage of the European situation, along with the Swiss company Landis & Gyr.

In 1981, these three scooped roughly 90 per cent of west European sales of energy management equipment. Today, however, they have less than 40 per cent of the market, according to market research organisation ProPlan, of Amersham.

Eroding their market share has been a clutch of smaller companies, which have appeared on the scene with innovative computer-based technology. As e result, the European market for advanced energy management systems, worth Ecu 360 m (£240m) a year, according to ProPlan, is deeply fragmented.

In particular, each national market has strong local suppliers, many of which do not sell outside their own national boundaries.

In Holland, for example, the local companies Philips and Priva are strong, whereas in West Germany Siemens and AEG are two of the market leaders, along with Landis and Gyr. In Switzerland, three local companies, Landis and Gyr, Staefa Control Systems and Sauter Automation top the polls.

In the UK, there are a number of local suppliers, with Trend Control Systems the market leader with 15.4 per cent of the market. Other UK companies include Satchwell Control Systems (part of GEC) and Transmitton.

Europe is still far behind the US in the use of these systems

The Spanish market, although still only worth less than ECU 10m, has followed the lead of the UK and supported the growth of a number of small, innovative companies, including Teice, Elisop and Cadem. And in France the government has stimulated the growth of numerous smaller companies by sponsoring them out of the public purse.

The success of the small UK companies has been based on their digital technology, in particular developments in microcomputer-based systems. A PC-based energy management system can be bought for as little as £1,000, although the wiring and installation costs can double that outlay.

The reason the electronics giants like Honeywell have been able to maintain their hold on most of the European market, in is largely one of culture, argues Allan McHale, director of ProPlan.

"I believe the entrepreneurs have succeeded in the UK with their innovative systems because the large purchasing organisations were prepared to ask them to tender," says Mr McHale.

"In the rest of Europe, companies wanted established suppliers they were sure they could depend on, even if the equipment was not so up to date."

The question which now interests Mr McHale is whether it will be the established suppliers or their youthful rivals that will take best advantage of the single European market when it comes into effect in 1992.

The co-incidence of the single European market and the growing concern that energy misuse contributes to the much-publicised greenhouse effect through global warming, (see page two),heralds a growing awareness and demand for energy management systems.

The prize for those that can develop a pan-European marketing strategy is a share of the estimated Ecu 800m market for energy management equipment in Europe in 1993. Some smaller companies, such as Trend, are already setting up distribution outlets, as with Controlli in Italy, for example.

Whatever the outcome, there is still a long way to go before the installation of energy management systems in Europe matches that in North America. In the US, the market is already worth $3bn a year.

Della Bradshaw

Advances in intregrated control systems

The costs come down

THE EXPERIENCE of using and operating building energy management systems (BEMS) in the UK has a short but interesting history.

The development and implementation of these systems has not been without incident, ranging from the frustrated BEMS-owner desperately searching for the solution to a failed installation — at one extreme — to the bewildered potential purchaser, at the other, wishing to distinguish between products — all purporting to offer comprehensive facilities.

With the production costs of these systems now falling, and a much-improved technical performance of products, the UK's 24 per cent share of the European BEMS market — second only to West Germany's 38 per cent — is likely to increase.

"The development history of BEMS has paralleled that of the microprocessor and computing technology," comments Dr Keith Rouse, head of the BEMS Centre.

"It has been strongly influenced by the political and economic climate prevailing in the country of origin, which has led to distinct differences in design approach, particularly between the US and European countries."

Today's building energy management systems offer a growing range of facilities

Meanwhile, the European market for integrated building controls is rising by 6.2 per cent a year from $1.26bn, two years ago, to $1.7bn by 1992, according to report by Frost and Sullivan, the market research group.

The report, "Building Control and Management in Europe," says that telecommunications, office automation and building services management are allowing the integration of such facilities as heating, ventilating and air conditioning, plus fire alarms and security controls.

"Energy savings, *per se*, are no longer the main reason for the popularity of such systems," the report notes, "although the oil crunch of 15 years ago gave the initial impetus to the idea of efficient building controls."

The market for energy management systems in Europe, worth $326m two years ago, will rise to $571m a year by 1992.

The US can almost certainly claim to have operated the first building energy management systems in the early 1970s, based on a centralised processor, with all the executive control occurring at the central station — now generally referred to as centralised systems.

These types of systems were more appropriate for installation in single large buildings, where the cable runs between sensors, actuators and the processing device could be most easily achieved.

This architecture fitted the large corporate buildings approach very well, and these were undergoing significant growth at the time. However, the UK market differed, with many smaller units operated within large distributed estates.

The slightly later entry of the UK and European manufacturing companies into the marketplace presented the opportunity to exploit the then-emerging microprocessor in their products — and, thus, concept of the "intelligent outstation" was born.

The reduced cost of the microprocessor in the last decade has opened up a wider market for BEMS which is currently worth around £70m a year, and growing at a rate of about 10 per cent annually.

In 1981, the smallest system on offer would have probably cost tens of thousands of pounds — but by 1986, a system could be bought for less than £1,000 which would offer all the features of the earlier system.

The basis for the BEMS Centre — set up in early 1987 — originated in the mid-1980s when a group of five BEMS manufacturers proposed to the Department of Energy that an independent focus organisation for further developing the industry, should be set up.

"They were looking at issues like equipment standards and compatibility, training for the industry and an overseas perspective. The Department had, until then, been making all the running in transferring the technology into widespread use.

It has marketed about 40 demonstration projects in which BEMS were the dominant technology under its Energy Efficiency Demonstration Projects Scheme. With one or two well-publicised exceptions where installations had not worked, these had been successful.

Many companies are still unaware of what these systems offer

The centre has received numerous enquiries from BEMS-users with problems generally falling into three main categories: skills shortage, costs and lack of standards.

Despite falling hardware costs, installation costs — the bulk of which is alterations and additions to existing trunking or new wiring — can frequently account for half of total costs, according to Dr Rouse.

"The slow progress made with systems compatibility, and the additional need for specific customer programming, have kept the cost of software relatively high.

"The integration of fire and security monitoring and control is much talked about, but what has been achieved has been done by software, not true hardware links.

"All BEMS manufacturers already ensure that their products are compatible — but with their own products, not those of other manufacturers."

The provision of full maintenance cover is usually only offered at prohibitive cost to the purchaser, he adds. Too little time is allowed for satisfactory commissioning, partly because the client, designer and installer are all pressing for completion of project, rather than checking to ensure that everything is satisfactory.

Relatively few engineers will have acquired, in their background training, all the skills and knowledge necessary to assist and advise in every area of BEMS technology, which crosses all the traditional boundaries of engineering. The lack of "user-friendliness" often results in the need to hire skilled operatives.

Recruitment is hampered by need for greater public awareness in the UK of building services as a career. The industry seeks about 300 graduates a year, while universities and polytechnics produce about 130.

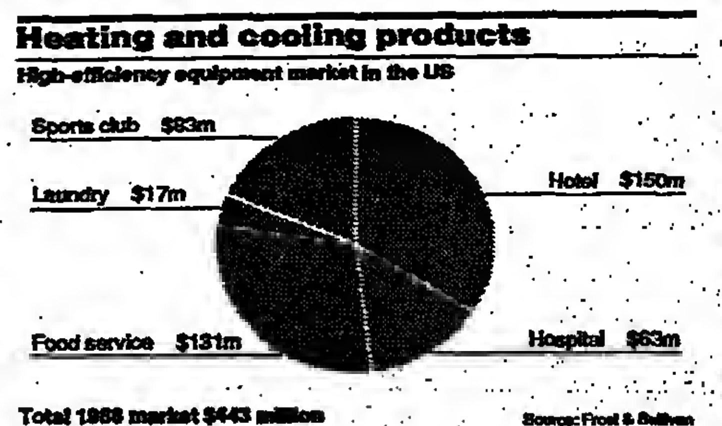
The centre has started a programme of training initiatives aimed at attacking the problems in the short-term, comprising a series of training workshops, computer-assisted learning packages, and a series of distance-learning units.

Dr Rouse believes that the introduction of expert systems may permit a higher level of de-skilled operation, but that a concerted effort will be needed to take full advantage of improved facilities which future BEMS will offer.

Boris Sedacca

Heating and cooling products

High-efficiency equipment market in the US



The US market for high-efficiency heating, ventilating and air-conditioning products could be worth £1.32bn by the year 2000. The need to curtail the use of flourocarbons will also have a big impact on the air-conditioning industry.

Case study on 'low energy homes'

Project results could have national impact

IT LOOKS like any smart house in the newest suburbs of Milton Keynes. Inside, you think you have stumbled on a stake-out by the Anti-Terrorist Squad.

Behind net curtains, Alan Horton, e computer expert employed by the Milton Keynes Development Corporation, carefully monitors eensitive information from inside surrounding houses.

But there is no secrecy about hie activities. He is "bugging" the heating arrangements inside low-energy homes, which incorporate a variety of different fuel systems and building designs.

Information about their performance is recorded in a data logger inside each house'e telephone junction box. A special cable link feeds it into the monitoring house where it is routinely collected and processed every 24 hours.

The project is one of the reasons why this maturing "new town," whose population has grown from 40,000 to 142,000 in the past 20 years, ie the unofficial capital of Britain's energy efficiency efforts. Its results are about to have an impact on new houses throughout the country. The homes under review are eituated in a 300-acre "Energy Park," set aside by the Milton Keynes Development Corporation as a demonstration project on energy-saving techniques. The Park, providing housing for 3,000 people and 2,000 jobs, also embraces commercial and industrial buildings, schools and leisure facilities.

Its centre-piece, which should be visible from the Euston-Glasgow main railway line, will be a National Energy Centre, which will house a National Energy Foundation to be launched officially later this year.

The Foundation will be led by Stephen Fuller, who as the Corporation'e projects development manager has played a big part in stimulating its work on energy efficiency.

As director of the Foundation, he would like it to serve es a national focus for discussion of fundamental energy issues, and to redress the balance of debate which is at present tilted towards the views of the energy suppliers.

As well es drawing up practical educational programmes, one of its first tasks will be the introduction in 1990 of a national labelling system for the energy rating of new houses.

The labels, approved by the Government and its Building Research Establishment, will consist of a simple, easily understood index based on a house's running costs rather than on complicated technical performance data.

They will incorporate tough standards already being used in the homes in the Energy Park. Phase One of the park, opened three years ago, consists of more than 500 low-energy homes, built by 15 different developers and sponsored by a variety of special interests, including the gas, electricity and solid fuel industries.

It is on behalf of these sponsors, as well as the Building Research Establishment, that the Development Corporation is monitoring the long-term energy performance of 178 homes in the Energy Park's first phase.

All these houses were expected to meet an energy efficiency standard at least 30 per cent above those of Building Regulations.

On a cost index of 200, the standard for new houses throughout the country is about 170. But those in the first phase of the Milton Keynes Energy Park were expected to achieve only a 120 rating.

This was easily met by tha developers and is said to have added only one to two per cent to the cost of construction. It required straightforward steps such as underfloor insulation and a good quality boiler.

The developers, says Mr Fuller, threw themselves wholeheartedly into the project, "because they wanted to know how energy-saving would help to sell houses."

It was the developers, too, who suggested the application of these standards to new housing in the rest of Milton Keynes. In Phase II of the park, some 600 houses are to be built lby 25 developers.

The Phase One, houses represent a variety of sizes and prices. Although largely conventional in appearance, nearly half were designed to utilise solar gain (the warmth of the sun or external atmosphere). All had at least double glazing. All except one scheme used gas for space and water heating; and conventional heating systems were favoured.

The greatest difference between these houses and those simply built to the 1985 Building Regulations was in the use of insulation. Nine out of ten homes in the Park had U-values (a measure of heat loss through walls, roof or floor) of 0.45 compared to the regulation standard of 0.6.

The properties also sold well, and remain popular. According Mr Fuller, some of the Phase I homes have energy bills half those of Building Regulation standard houses. One house (incorporating about £2,000-worth of Finnish super-insulation) enjoys a fuel bill of only £30 a year compared with the £250 a year for homes meeting national UK standards of insulation.

Maurice Samuelson

An energy-efficient house in Milton Keynes, incorporting gas central heating with mechanical ventilation and heat-recovery systems. The house has a conservatory providing solar energy facilities, plus insulation in all the roof, wall and floor spaces.

Homes with automated controls and high insulation

THE SECRET to the way houses will be built in the future may well lie in Epsom, Surrey, where Barratt, the house-building group, has linked up with the South Eastern Electricity Board (Seeboard) to develop a "low-energy, intelligent home that is also environmentally friendly."

Two luxury bungalows are at the heart of the Oracle project - they are due for completion at the end of this month. From the exterior, they will look like conventional homes; they are being built by traditional methods, but also feature high-insulation materials.

Barratt hopes that the bungalows will be constructed to standards in excess of proposed building regulations due to be implemented next year. Meanwhile, the company has dutifully used materials that contain no ozone-depleting gasses, such as CFCs.

To avoid condensation — a frequent problem in well-insulated homes — an air-handling/heat recovery unit has been installed to provide a comfortable atmosphere and to recycle waste heat from the kitchens and bathrooms.

In this way, energy consumption and temperatures can be monitored in every room. In addition, there is a comprehensive fire-detection and alarm system which automatically switches on lights to help occupants escape if fire breaks out.

An infra-red monitor spots any visitor coming to the door and turns on a TV screen to let the occupant identify the caller. Another novel aspect is the automatic control of household appliances, ranging from mundane tasks like switching appliances on and off to take advantage of off-peak electricity, to taking charge of the house when the occupants are away on holiday.

It turns lights on and off, draws curtains, turns on the stereo, and duplicates other similar actions recorded over the previous two weeks.

Following a control period to test the homes for factors such as condensation, two families will occupy the homes from next spring for a period of 12 months.

As for cost, Barratt reckons it will be around £70 per sq. foot, giving construction costs for the 1,500 sq. foot unit of around £105,000.

Beyond that there is the cost of the land — between £40,000 and £50,000. These are not cheap developments, but few innovations are for people who want to be at "the leading edge" of such advances. Seeboard has also embarked on a trial involving the nse of energy management units (EMUe) at more than 100 homes at Hove in East Sussex.

The EMU is a wall-mounted computerised metering system which tells occupants how much electricity they are using and at what cost, at the press of a button. The tariff fluctuates according to the time of day, the day of the week and the season of the year.

Boris Sedacca

Mr William Carton checks the energy management unit's touch panel at his home in Palmeira Square, Hove.

Research into environmentally-friendly energy sources is intensifying, says **Alastair Guild**

Promising potential for fuel cells

FUEL CELLS are potentially a vital source of the energy of the future, as the burning of fossil fuels and the risks and costs associated with nuclear power become increasingly unacceptable. They have promising applications, both for power generation and for driving vehicles, ships and submarines.

The driving force behind fuel cell development is the prospect of generating electricity more efficiently than any conventional power station and with measurably less-harmful emissions, says Mr Martin Fry of WS Atkins Energy.

The consultancy is currently providing advice to the UK's Department of Energy on the prospects for large-scale power generation using fuel cells linked to combined-cycla plants.

The concept used in a fuel cell was discussed as far back as 150 years ago by an eminent English scientist and lawyer, Sir William Grove, though today it is the Japanese and Americans who are now spending the most on research and development: 70m ECUs each, compared with 3m ECUs in Europe as a whole. The only concentrated fuel cell research programme in the UK is headed by Professor Brian Steele at Imperial College.

The recent formation of a European Fnel Cell Group, announced last month at an internatiooal symposium on the technology held at the Royal Institution in London where Sir William first outlined his discovery, is intended to promote a greater understanding of the potential applications for fuel cells. Attendance at the symposium itself was a reflection of how Britain seems to be lagging behind the Japanese, Americans and continental Europeans.

Inside a cell, a fuel, typically hydrogen, is passed over a negatively charged pole, or anode, where electrons are stripped off. The resulting hydrogen ions flow through a conducting medium towards a positively charged pole, or cathode. That flow produces an electric current. Heat and water are produced when the hydrogen ions combine with oxygen at the cathode.

> Fuel cell technology has advanced ten-fold in the last 20 years, though they remain costly to assemble

The different types of fuel cell now under developmant derive their names from the type of electrolyte conducting medium used, phosphoric acid, solid oxide, solid polymer, molten carbonate and alkaline.

Alkaline fuel cells provided the entire on-board electric requirements of the Apollo and Shuttle space missions, as well as potable water for the astronauts. Future missions, such as the European Hermes programme will also depend heavily on such cells. They rely on a supply of pure hydrogen and oxygen, readily available in a space craft.

Molten carbonate and solid oxide fuel cells offer perhaps the greatest potential for on site power generation, though they still require work. Both operate at high temperatures, molten carbonate at 650 deg C and solid oxide at over 900 deg centigrade, so are able to internally 'reform', or take hydrogen from hydrocarbon fuels such as natural gas, or LPG, making them more efficient. Both are expected to produce electricity at efficiencies approaching 55 per cent.

Like other fuel cells, they are modular, that is the size of stack, or number of cells combined in one system can be tailored to the precise size of site and power requirements of a power utility. As they generate clean power, so they can be sited closer to the utilities' customers than conventional power stations, thus minimising transmission losses.

Such high temperature fuel cells generate not just electricity, but waste heat and steam, which can either be used for district heating, or recycled to provide yet more electricity.

Solid polymer and alkaline fuel cells offer perhaps the greatest potential for use in vehicles. They are already achieving efficiencies over two times higher than petrol engines. They operate at low temperatures, so are capable of rapid start up. They also have the highest power densities of fuel cells, giving 1 MW per cubic metre, or 700 W per kilogram, a power to weight ratio extremely competitive with the internal combustion engine. At 450 horse power, they are approaching gas turbines in output.

For vehicles, fuel cells using methanol, rather than hydrogen, offer most potential. Methanol could be used in both fuel cell driven cars and those with combustion engines, while methanol could use the existing distribution network. The main lines of this research in Europe are into the development of systems consisting of a fuel cell and a methanol reformer, and fuel cells which directly oxidize methanol, without the need for a bulky and expensive reformer.

Cars or buses with fuel cells fitted would then use batteries to provide that extra bit of acceleration. Fuel cells would provide more hours of continuous use without having to be recharged. Fuel cell trials are already well advanced on buses in Amsterdam and in Japan.

Fuel cells give off none of the toxic gases that result from the combustion process, such as nitrous oxide and carbon dioxide. The hydrogen fed into the cell has first to be processed from hydrocarbons, so one by product is a certain amount of carbon dioxide, the main contributor to the greenhouse effect. The device which is used to extract the hydrogen – the reformer – is also costly and, at present, bulky.

A solution might be for the hydrogen to be processed centrally. The carbon dioxide itself could then be dealt with centrally, perhaps by freezing and then disposal in the oceans where it would disperse without harm to the environment. However, the advocates of fuel cells point out that the amount of carbon dioxide produced per kilowatt of electrical energy should, in any case, be half that produced in large fossil fuelled power stations, because of a fuel cell's higher efficiency.

Fuel cell technology has advanced ten-fold in the last 20 years, though they remain costly to assemble – "they still require assembly by Phds," says Professor A John Appleby, director of the Center for Electrochemical Systems and Hydrogen Research, Texas.

"We are at the stage of hand-built prototypes. But as fuel cells are based on a modular concept, then fundamentally they will be easy to mass produce, and the materials cost itself is relatively small," he says.

The attention of WS Atkins is focussed on power generation systems capable of generating upwards of 100MW. These would require many fuel cells to work together, and there is, as yet, little experience of how th e manifolding necessary would perform.

Power utilities in the US have already indicated their faith in fuel cells, however. An American-based company, International Fuel Cells has received over 50 orders for its fuel cell, for example, capable of generating electricity at $2,000/kw. The main funders of fuel cell research in the US are the Department of Energy, the Gas Research Institute, the space programme and the Department of Defence.

Public funding for research into phosphoric acid fuel cells has already ceased, as the technology is considered to be so close to commercialisation. The world's first phosphoric acid plant is likely to be supplied by Fuji Electric of Japan, where the costs are being shared between the National Economic Development Office and commercial interests.

It is generally acknowledged that fuel cells will have to be capable of generating electricity at $1,000/kw before they will become truly competitive with gas turbines and combined cycle plants. But nobody knows what price such methods of power generation might have to pay to compensate for their environmental impact. Fuel cells could then come into their own, whether or not they reach that $1,000/kw target.

EUROPEAN FUEL CELL RESEARCH

	Start of programme	Duration, years	Budget: Ecu, million	Fuel cell type
EUROPEAN COMMISSION	1989	Three	25 CEC, 50 per cent	SOFC, PAFC MCFC, SPFC
NETHERLANDS	1986	-	30	MCFC, PAFC
ITALY	1986	Five*	40	PAFC, MCFC
GERMANY	-	-	2m Ecu/year.	SOFC, AFC
SPAIN	1988	Five	15	MCFC
NORWAY	1988	Five	3.5	SOFC
SWITZERLAND	1988	Three	4.5	SOFC
THE EUROPEAN SPACE AGENCY	1988	Two	18	AFC

SOFC, solid oxide fuel cell; MCFC, molten carbonate fuel cell; PAFC, phosphoric acid fuel cell;SPFC, solid polymer fuel cell; AFC, alkaline fuel cell. *A new five-year programme is being prepared. Source: European Commission.

Professor Brian Steele with a small solid oxide fuel cell for converting natural gas into electricity

Electronic monitors help to cut energy costs

BRITAIN has the potential to conserve – by various means – almost a third of its current £35bn annual energy bill. Half of this potential could be harnessed through the application of microprocessor-controlled conservation systems, using known and proven technology, says Mr Michael Roberts, director of the energy division at PA Management Consultants.

The UK market for these systems is currently met by about 100 companies, of which a small number tend to dominate the sector.

"Generally, these companies are staffed with electronics engineers who have chosen to apply electronics to energy systems," he says.

"Only in a very few cases are the companies staffed by energy engineers who have then applied electronics to manage energy systems better."

Devices such as optimisers, maximum-demand controllers, electronic energy management *systems for buildings*, and electronic instrumentation in process industries, can be installed with pay-back times of two years or less. However, this applies to relatively small systems or parts of large projects. *It is when total systems* are being addressed that problems seem to arise.

For example, one of Mr Roberts's clients, a retail company with a large number of premises, asked him to identify a suitable "black box" that would cut-out the need for any of his premises managers to be involved with energy-usage. Individual premises consumed a relatively small amount of energy, but the total annual energy bill amounted to several million pounds.

"My initial reaction was that no such device existed or was ever likely to exist, but I agreed to identify those devices which which most closely met the brief," he says.

Two systems were selected for field trials at a number of premises, while other premises retained purely manual controls.

After three months, one system was showing a four per cent increase in energy usage, compared with the previous year. The other system was showing a three per cent decrease, hut the manual approach was showing a 16 per cent decrease.

Three months later, there was no change in the way the systems behaved, while the manual system bad become even more effective and was indicating a 23 per cent decrease in energy-usage.

"These findings did not surprise me. Neither did they please my client," continues Mr Roberts. "However, they clearly indicated the way to proceed. The approach is simply to start off manually and manage energy effectively."

Another client, a hospital engineer, proudly told the nursing staff that as from the next week, his system would be taking over the management of all energy services and all past abuses of over-heating and over-cooling would finally cease. The chief engineer would control it in future from his remotely-sited computer through a system of telephone wires, sensors and actuators.

The sensors were harmless-looking stainless steel plates and it took the nursing staff less than 24 hours to realise that a hot water bottle placed *against the sensor* increased the degree of cooling, while an ice pack increased the heating.

Not only bad the nursing staff regained control of the environment, bnt the use of hot water bottles increased in summer, as *did the use of ice* packs in winter – "it was more than six months before it became apparent that the £40,000 investment was providing a lot of amusement – but a negative return on capital.

"If the staff had been involved at an early stage, the engineer would have also learnt that it is desirable to reduce the temperature in patient areas at night in a hospital, but to increase it in the offices and rooms of nursing staff, who tend to be less active than during the day."

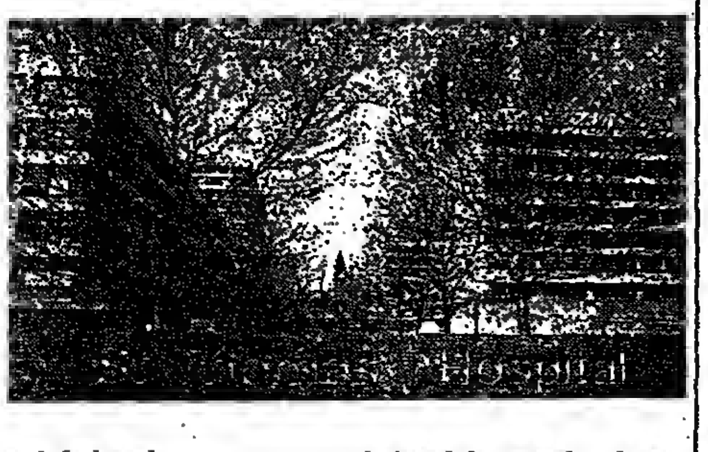
Responsibility within organisations for energy costs is often confused, because it cuts across other lines of authority. Some systems have a self-monitoring facility by which energy saving targets can be pre-loaded and seasonalised.

Frequently there is a tendency to go for the most expensive system, but before microprocessors can be applied, there is a need to clarify responsibilities, establish cost-effective working practices, and challenge historic assumptions.

The financial case for installing a system will need to be developed jointly between the energy engineer and the accountant, concludes Mr Roberts.

Boris Sedacca

Case study: savings achieved in a London hospital



HOSPITAL environments are often excessively hot or too *cold and draughty* – bnt seldom quiet right. However, St Thomas's Hospital on London's Sonth Bank is different – and it has also reduced its annual energy bill by £70,000 since it installed a Landis & Gyr Visonik 4000 energy management system.

The first huildings at St Thomas's to be controlled by the system were the North and Lambeth Wings. The North Wing, opened in 1976, contains several laboratories and wards providing 607 patient beds.

Tha Lambeth Wing comprises ont-patients' clinics, X-ray departments, operating theatres and physiotherapy and radiography training schools. One antire floor of nearly 1.5 acres is occupied by the Rayne Institute for Medical Research.

Following these installations, the system was extended into Gassiot House, built in 1972, and providing residential accommodation for over 400 staff. It is envisaged that the whole St Thomas's complex will eventually be controlled by the system.

The central computer, including a terminal and colour graphics unit, is housed in the unit works office, while additional terminals ara located at the engineer's plant room and at the energy conservation engineer's office in the North Wing.

From there, *aspects of plant* statue can he monitored including:

- ☐ Plant alarm calls and operation.
- ☐ Electricity, gas and oil usage and tha proportion of each fuel used.
- ☐ Water consumption.
- ☐ The operation pumps, fans and lighting.
- ☐ Room temperatures and information about outside weather conditions.

The Visonik 4000 is particu*larly suited to retro-fitting in* existing huildings and is designed for complex, large-scale applications such as residential areas, hospitals, factories, hotels, department stores, shopping centres, leisure complexes and airports. It provides np to seven operator stations and 170 sub-stations.

B.S.

Boiler systems

Target for improvement

THE FINAL report from last year's major United Nations-backed conference in Toronto, concerning global warming, began by describing this environmental problem as "an unintended, uncontrolled, globally pervasive experiment whose ultimate consequences could be second only to a global nuclear war."

The conference concluded that cuts of greater than 50 per cent in the main greenhouse gas, carbon dioxide are now needed to stabilise the climate, with 20 per cent cuts within 15 years as "an initial global goal." Most carbon dioxide is caused by the burning of fossil fuels.

Research undertaken by the Association for the Conservation of Energy shows that, using existing energy-efficiency technology and assuming annual GDP growth of 2.5 per cent, such initial goals *would be feasible in the UK* – if the efficiency of fossil fuel-consuming equipment installed in homes, offices and factories was radically improved.

One of the key target areas for improvement is the boiler stock – and none more so than in the 20m homes of Britain, which between them produce 30 per cent of the country's carbon dioxide pollution.

Of these homes, around 63 per cent have *gas-fired central* heating. Ofgas, the Government-appointed regulatory authority, estimate that replacing an existing boiler with a modern gas-condensing boiler could rednce fuel consumption by 30 per cent. Yet five years after they were first introduced to the UK market, such boilers have been installed in fewer than 10,000 homes. This is despite the fact they are substantially more efficieot than *any conventional* new boiler – some 16 per cent more so, according to Ofgas's figures.

The condensing boiler differs from a conventional boiler in that its heat-exchanger is designed to have a much larger *surface* area than a conventional boiler, and therefore extracts more of the heat from the burning gas. Because more of the heat has been extracted, the gases which pass out of the flue are far cooler than in a *standard* boiler – so cool that water vapour in the flue gases frequently condenses: hence the name "condensing boiler."

Such boilers are particularly

> **Estimates show that replacing a conventional boiler with a modern gas-condensing system could reduce fuel consumption by 30 per cent**

cost-effective in summer, when a conventional boiler wastes so much heat creating hot water alone. Externally, condensing boilers resemble standard boilers, both in the range of sizes and in the control mechanisms incorporated. But one significant difference is that condensing boilers require a drain to collect the liquid formed when the flue gases condense.

The UK market for condensing boilers, compared to the situation in Holland or West Germany, is very small, so far. Two companies share the UK *market: Tri-Save, a subsidiary* of the JLB Group, and Stelrad, part of the MS Group.

Both companies accept that there are substantial barriers in the market place which remain to be overcome, not *least the £150 to £200 premium* which is charged over existing boilers. Inevitably, potential installers – whether individual householders or major developers – tend to be concerned with the initial selling price *of a boiler, rather than* the running costs over its lifetime.

Much emphasis is therefore placed upon the latter figures both by manufacturers and Ofgas, and also by the Government's Building Research Establishment, which has helped to run a series of promotional conferences in support of the concept.

With the heightened interest in reducing pollution, several leading houseboilders – including Bovis Homes and Kier Marriot – have begun installing gas condensing boilers in their developments.

Individual consumers in the Southern Gas area are shortly to be offered a discount on Stelrad's range.

However, another substantial hurdle is the conservatism of the average gas-installer. A few tales of relative unreliability among some of the earliest models have assumed mythological proportions; and there is a continuing need for re-assurance concerning after-sales back-up and the availability of spare parts.

Nonetheless, the gas establishment is known to be in favour of the new boilers; indeed, many senior managers at British Gas now have them installed in their own homes. But getting the positive message to percolate through their entire establishment is proving to be a lengthy job.

There is no doubt though that the *gas-condensing* boiler market can only grow in the future. Stelrad is working on an eight-fold growth within three years; but this would still cover only 5 per cent of the 850,000 domestic boilers installed each year.

Achieving the 20 per cent carbon dioxide savings that the Toronto conference demanded within 15 years will require a quantum leap in this market.

According to Stelrad's figures, if every household with gas switched to a condensing boiler, the UK could save 1.72bn therms, worth £662m each year

It is both an economic and an environmental target worth striving for - and substantial opportunities await the first company to break ooeo this nascent market.

Andrew Warren

Warnings at the World Energy Conference

Cost of change could be great

ENERGY EFFICIENCY and environmental issues were *important themesat* this year's World Energy Conference in Montreal, Canada.

In his first major international speech since he took office in July, Britain's Energy Secretary, Mr John Wakeham adroitly caught the tone of the event when he told 4,000 delegates from more than 100 nations that "we have to prepare ourselves for the likelihood that the world's energy economy cannot continue as in the past – and that the cost of change could be very great.

"Energy efficiency is the single most cost-effective physical response to the effort to limit carbon dioxide emissions."

Almost all the conference delegates work at a senior level in the energy supply industry, either among the generators and distributors of fuels or the equipment-makers for power stations or gas pipelines.

As is becoming the norm at such mega-events, the world conference, held in the grandiloquent halls of the Palais des Congres, was preceded by a shorter, unofficial gathering in a contrasting neighbouring site - in this case, a school hall.

The theme of the 1992 conference in Madrid will be "Energy for Tomorrow's World"

The alternative gathering billed itself as the "International Green Energy Conference," at which impassioned speakers poured scorn upon the main event - the 14th world energy conference.

One environmentalist jibed that "if you removed all the chief executive officers due to be present from the face of the earth, together with the industries they presided over, you could, at a stroke, solve the world's great atmospheric problems of acid rain and the Greenhouse Effect, in large part caused by their pollution."

Another argued that energy experts with a supply-orientated bias were no more likely to build sustainable, energy-efficient societies than tobacco executives are to make people *stop* smoking.

As the week progressed, it became increasingly clear that such Amageddon-like warnings were inappropriate. Speaker after speaker at the world conference acknowledged that the issues of the environment and energy were now permanently intertwined, and that they would no longer be able to assume complacently that continued increases in demand for energy would be forthcoming, as the night follows day.

They had to come to terms with the need to reduce the amount of noxious gases, such *as carbon dioxide and sulphur* dioxide, pumped into the atmosphere from the burning of fuels, and that effectively meant reducing projected increases in demand they had all fondly expected to occur. The Brundtland Commission phrase of "sustainable development" effectively became the leitmotif of the entire event.

Mr Nils Holmin, vice president of Vattenfall, Sweden's electricity utility, was equally uncompromising, when he told world delegates about his company's programmes, targetted to save energy.

He used the conference as an occasion to announce his latest programme to cut demand for his utility's product by 1 terrawatt hour within the next five years, investing around a billion Swedish Krone to do so - and becoming Europe's energy-saving trail-blazer as a result.

Executives from nearby Ontario Hydro Power were telling a similar tale of their initiative to adopt least-cost planning - the comparative costing of all energy options, including energy conservation - prior to embarking on new investment programmes.

Needing some 3,500 extra megawatts on current peak demands of around 22,000 megawatts within the next ten years, they had concluded that the most cost-effective way to achieve this was via load-management to "shave" the peak; relying upon energy saving measures which would occur automatically with the replacement by their customers of elderly motors or machinery; and via a major promotional drive among their customers to reduce energy wastage.

Around half the new "capacity" would come from this latter exercise, which was proving to be a high profile project, both among their regular customers and among delegates - many of whom took home a sample refrigerator thermometer to be placed in domestic fridges to ensure they run at the most efficient temperature.

John Wakeham: he adroitly caught the tone of the event

For the first time the World Energy Conference gave platform time to energy conservation experts such as Dr Amory Lovins of the Rocky Mountain Institute in Colorado; and two of the authors of the seminal study,"Energy For a Sustainable World," Amulya Reddy of the Indian Institute of Science at Bangalore, and Prof.Thomas Johannson of the Technical University of Lund, Sweden.

All these speakers emphasised the sound economics involved with following the energy-efficiency route, rather than conventional supply-orientated philosophies.

"You have to measure your progress by your level of services - nobody wants kilowatt hours. They want light, heat and motive power," argued Mr. Reddy.

He felt that the services approach is particularly appropriate to developing countries. Most industries currently use old imported technology from a time of cheap energy and less global environmental awareness. They could leap-frog to more efficient technology.

"There is a capital crisis in developing countries, and the current rates of energy growth are unsustainable. There is no way that developing countries can afford to find the vast sums of capital to create mega-supply projects," he said.

He also argued that the World Bank needs to shift even more resources into funding energy-efficiency projects, which were nearly always going to show good rates of return. His words were echoed by the Korean Energy Minister, Bang Suh-Lee, who emphasised that whilst developing countries should concentrate on energy efficiency and renewables, this was only feasible with substantial assistance through technology transfer from the developed world.

Inevitably, the new environmentally-aware thinking did not reach all parts. The conference chairman, Mr James Donnelly, in his opening speech, adopted the more traditional approach. The recently-retired head of Atomic Energy of Canada asserted that "since the advent of man, his sociological progress has been measured by the amount of energy he uses."

Prophets of the new philosophy such as Dr. Lovins, were dismissed by one (sadly, British) platform speaker as "merely rationalising a pathological distaste for the nuclear industry."

A projection of "likely" world energy demand in 2020, prepared by energy experts from 17 countries over the previous three years, was published at the conference.

It postulated a 75 per cent growth in energy demand, and a subsequent 70 per cent rise in carbon dioxide levels, thereby generating some of the more heated exchanges both on and off the floor. The projections had been made very much on the basis of "business as usual," with no assumptions of policy changes based upon carbon taxes (promoted at the conference by John Wakeham), or other pollution abatement fiscal strategies; and, as such, were swiftly being dismissed as outdated thinking, and producing an "unsustainable future," according to Professor Johannson.

The organisers of the World Energy Conference swiftly announced the formation of a new commission to report to their next conference, in Madrid, in 1992.

Entitled "Energy For Tomorrow's World," it is intended to produce a strategy paper and projection which integrate the social and political dimension far more strongly, rather than relying upon technology alone.

The relevance of these extra dimensions to energy policy was stressed in a thoughtful, unscripted address from the European Community's Energy Commissioner, Antonio Cardoso e Cunha. He emphasised *how much the new environ*mental awareness had shifted the main thrust of geo-political thinking towards ameliorative measures such as energy conservation, and encouraged the WEC to dwell more upon these aspects than upon the more traditional demand-led approaches.

Inevitably, at the close of such a wide-ranging conference, views differed as to what had been achieved across the seven days. Doubtless some will have returned to their *companies anticipating* a continuation of business-as-usual, shrugging off the incessant battering about demand management and environmental implications as purely theoretical conference talk. Others, though, will have accepted that the world is changing.

There is substantial inertia and conservatism among the world's energy providers, some of whom find it difficult to accept that the criteria for success in their businesses is altering with the new, greener agenda.

The event drew 4,000 delegates from 100 countries, writes our special correspondent

UNIPEDE, the European trade association of electricity producers, has long been such a body, regularly filibustering and blocking proposals for shifting strategies towards energy conservation and away from supply.

Mr Nils Holmin of Sweden's Vattenfall admits his is still not a majority attitude among his peers on UNIPEDE – "but the right people have been here all week. They are not deaf. They will have heard what the new agenda is. They will know they can't avoid it."

JAPAN

Alarm bells ring

IN JAPAN'S energy sector, alarm bells have been ringing since a report by the Institute of Energy Economics, in August, showed that Japan's energy consumption rose by 6.8 per cent in fiscal 1988, outpacing *GNP growth (5.1 per* cent) for the first time since 1983.

Other studies of the energy demand/consumption picture have confirmed that, for the first time since the 1973 oil crisis, the balance between energy demand and economic growth has recently exceeded a factor of 1; the recognised threshold separating efficient energy-use from extravagance.

This trend towards excessive energy demand not only reawakens painful memories of the havoc that can result from Japan's uniquely high dependence upon foreign energy sources (Japan relies on foreign producers for over 99.7 per cent of its oil needs – the highest level among the developed nations).

It also comes at the most *inauspicious possible moment,* when international consciousness of the need for efficient energy use – and of the links between economic activity and environmental pollution – is at an all-time high.

Japan is currently in the spotlight as a key player in, among other things, the destruction of south-east Asia's tropical rain-forests.

A major factor behind the nation's surging energy-use is the irrepressible battle for market shares among its primary energy suppliers. Most Japanese electricity and gas utilities are private companies and these, having independently made considerable upward revisions to their original demand forecasts, are now boosting their supply capacity.

LPG suppliers and oil distributors are slashing product prices to attract new custom and the electric power industry is aiming to spend 19 trillion yen over the next five years to increase its generating capacity for the summer peak periods. While use of this energy within the industrial sector is considered to be among the *most efficient* in the world, the outlook is very different in the non-industrial sphere where, estimates suggest, a mere 35 per cent of the total primary energy supplied is used efficiently.

Nuclear power: the main control panel of the number one reactor at *Kashiwazaki* Kariwa nuclear power station.

The government's very Japanese *response to the situation* has been to form a sub-committee. This study group, operating under the auspices of MITI's Agency of Natural Resources, is made up of academics, industrial leaders and consumers and is to draft a report by spring 1990 on Japan's overall future energy policy.

The committee's agenda includes an exploration of possible new energy sources and of ways to save energy. It will also assess energy supply costs and examine the effective use of natural resources in general.

Another key item for discussion will be nuclear power. The electric power industry is avidly promoting its expansion program of nuclear power generating facilities, which aims for a 53m kilowatt capacity by the end of the century, representing about a quarter of an overall supply of 212m kilowatts.

However, the anti-nuclear movement in Japan has intensified dramatically since the 1986 Chernobyl accident and the electric companies are finding it increasingly difficult to secure construction sites for their planned new nuclear power generation facilities.

There has been no indication up to now as to how the electric power-generation industry might fill the *gap in output* should this burgeoning protest movement succeed in blocking the growth of the nuclear sector.

The government is also responding to an unstable energy situation worldwide by boosting its oil stockpiles. MITI analysts estimate that with an average rise in Japan's annual crude oil demand of only 1.3 per cent, a shortfall of approximately 2.7 million kiloliters would occur in the year 2000.

Although oil consumption is falling as a percentage of total energy consumption – an estimated 45 per cent in the year 2000, in contrast to 56 per cent in 1986 – there will be little change in Japan's total oil demand volume.

Japan is planning to increase its oil stockpile to the International Energy Agency member-nation's average equivalent of 160 days consumption, from the present 120-130 days, and says that in the event of a future oil crisis it would fulfil its responsibilities as the world's second-largest oil consumer by making these reserves available to other nations.

The principal ray of hope amidst a worsening energy-use equation lies in the strenuous efforts being made by some of Japan's biggest companies to develop alternative energy resources.

Sanyo Electric Co. is becoming noted for its solar-panel products; Mitsubishi and Toshiba have made major investments in the geothermal power field; and Nippon Electric Glass Co has attracted much attention recently with its new light-retentive 'smart glass,' for use in office-building windows.

But one only has to take a brief walk through any of Tokyo's major electronics quarters, with their electric bread-makers, multi-media video/CD players and gas-powered air conditioners to realise that Japan's increasingly decadent ways could one day lead this raw material-dependent nation back to its recurrent nightmare – an energy crisis.

Roy Garner in Tokyo